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THE UNIVERSITY OF ALBERTA

AGRICULTURAL LAND TENURE IN ALBERTA: A SOCIO-ECONOMIC ANALYSIS

by

DONALD L. WILDE

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE SUDIES AND RESEARCH

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

OF **MASTER OF SCIENCE**

IN

AGRICULTURAL ECONOMICS

DEPARTMENT OF RURAL ECONOMY

EDMONTON, ALBERTA

SPRING 1988

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ISBN 0-315-42799-X

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(SIGNED) Donald Wilde

PERMANENT ADDRESS:

Box 1193
BEAUMONT, ALTA
T0C 0H0

DATED: 27 April, 1988.

THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Feculty of Graduate Studies and Research, for acceptance, a thesis entitled AGRICULTURAL LAND TENURE IN ALBERTA: A SOCIO-ECONOMIC ANALYSIS, submitted by DONALD L. WILDE in partial fulfilment of the requirements for the degree of MASTER OF SCIENCE in AGRICULTURAL ECONOMICS.

Supervisor

Date: 25 April 1988.

ABSTRACT

The research contained in this thesis focusses on the nature and characteristics of agricultural land tenure in Alberta. Existing census data showed significant changes in tenure patterns over time. These data do not provide information as to why these changes occurred, nor any details about specific characteristics of tenure in the Province. It was evident that there was no existing information base upon which to evaluate the effectiveness of the present tenure system under the current social, economic and political conditions. This information is necessary for the formulation of effective agriculture policies which address the issue of security of tenure for farm operators.

This research has shown that close to fifty percent of Alberta farm operators rent all or a portion of their land requirements. This proportion has increased from approximately five percent in 1901. These changes in tenure are correlated with other changes in the structure of agriculture, especially over the past three decades.

The research has clarified the important role of ideological factors in Alberta's land tenure structure. Certain inevitable changes in tenure patterns have occurred without noticeable adjustments in the Province's attitudes favoring the owner-operator. Many farm operators who rent land for economic advantages recognize inequities in the socio-political system which are not conducive to mixed tenure.

A survey of Alberta farmers was conducted in order to obtain a primary cross-sectional data base related tenure issues. Survey results show market inconsistencies in lease arrangements throughout the Province and a general lack of coordination in land rental markets. Average lease terms are slightly more than two years, which is not conducive to a secure tenure. Nearly forty percent of lease agreements are verbal and there is virtually no legislation specific to farmland leases in Alberta.

Evidence clearly indicates that farm operators in Alberta recognize the merits of leasing a portion of their land requirements. For some it is essential to staying in business. However, the present agricultural infrastructure is not entirely sympathetic to the notion that a change in land tenure may be a necessary condition to the maintenance of viable farm operations in the current environment.

ACKNOWLEDGEMENTS

The research associated with this thesis was funded by a grant from the Alberta Agriculture Research Trust fund. This contribution is appreciated.

My supervisor, Dr. T. Alfred Petersen, Professor Emeritus, deserves my respect and admiration for his patience, understanding and influence during the writing of this thesis. I am honored to be his last thesis student.

Dr. Dhara Gill has been a teacher, an advisor and a friend.

Dr. Wayne Lamble and Dr. Jim Robertson have helped to make this thesis a reality. I thank them.

Greg Smith has contributed through his friendship and constant admonitions that "it can be done".

Dr. Linda Chase Wilde I love for her invaluable contribution to this thesis, and much, much more.

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CHAPTER I

INTRODUCTION

A. INTRODUCTION

The overall purpose of this study is to provide a descriptive analysis of agricultural land tenure in Alberta. The origins, characteristics and significance of the tenure system are examined in a socio-economic context, with a view to understanding more fully its importance and appropriateness for farm producers, the agricultural industry and society as a whole.

This chapter begins with a background analysis of the study theme. This is followed by a description of the problem to be addressed in the study; a statement of the study objectives; a description of the research methods; a statement of the limitations of the study; and an outline of the organization of the thesis.

B. BACKGROUND TO THE STUDY PROBLEM

Land tenure is a crucial segment of the agricultural infrastructure of any society. In Alberta, land tenure, like agriculture itself, is not static. Conversely, it has been subject to considerable change since the beginning of the century.

Table 1.1 depicts some of the significant structural changes in agriculture, accompanied by a changing tenure pattern. Census data reveal little change since 1961 in the total acres farmed in the Province. This has been accompanied, however, by a noticeable increase in the average farm size and decline in the number of farms. This means that fewer farmers are operating larger farms. The tenure data show that the increase in farm size is associated to some degree with changes in tenure arrangements. The proportion of owner-operators in Alberta has declined from 92 percent of total farmers in 1911 to 52.4 percent in 1986. This decline is synonomous with an increase in the number of part-owner/part-tenants from 3.8 percent in 1911 to 40.6 percent of the total as of 1986.

From a different perspective, in 1911, 88 percent of the farmland area was farmed under the owner-operator form of tenure as compared to 58 percent in 1986. For 1981, the statistics show an average farm size of 476 acres for full-owners and 1317 acres for owner-tenants. This indicates that farm operators have gravitated toward a mixed tenure in order to increase farm size.

Although census data clearly provide evidence of change, they lack sufficient detail to properly analyse the significance of those changes.

Table 1.1

FARM DATA FOR ALBERTA, SELECTED YEARS

	1911*	1921	1961	1981**	1986
Number of Farms		82,954	73,212	58,056	57,777
Average Acres per farm		353	645	813	n.a.
Tenure Status %					
Owner***	92.0	80.3	59.7	58.3	52.4
Tenant	3.8	9.7	9.2	6.3	7.0
Owner-tenant	4.2	10.0	31.1	35.4	40.6
Area Operated '000 acres		29,293	47,229	47,218	51,041
Area Operated %					
Owned	88	81	68	65	58
Rented	12	19	32	35	42

Source: Adapted from Alberta Agriculture and Statistics Canada

* 1911 farm data given for tenure information only
** Definition of census farm changed in 1976
*** Includes farm manager category

n.a.: not available

C. DESCRIPTION OF THE PROBLEM

Generally speaking, the problem being addressed in this thesis is a need to identify the characteristics of Alberta's land tenure system in order to evaluate its relative merits and shortcomings for the present structure of agriculture. Initial research into the subject of tenure revealed a serious lack of relevant information and existing studies on the subject of tenure in Alberta. As the Land Tenure Research Committee of the United States Department of Agriculture (USDA) has pointed out, "tenure research of today should not be expected to be the tenure research of five, ten or twenty years ago."[1]

1. Significance of the Problem

There is a growing body of literature which stresses the importance of land tenure variables in socio-economic research related to agriculture. It has been pointed out by two prominent analysts that:

> "where tenancy or other combinations of tenure serve a fundamental purpose, there is nothing wrong or degrading about the institution. On the other hand, unless the social and economic environment provides an incentive, the producer can neither operate efficiently nor effectively."[2]

In Alberta, where much economic and political importance is attached to agriculture, land tenure should be an important and sensitive issue. Changes in the structure of agriculture over the past two decades have exerted pressure on the tenure institution to adapt to

those changes. The responses of the various segments of society to these changes leads to the hypothesis that social attitudes have not adjusted accordingly.

A general decline in the economic returns to agriculture has also affected farm tenure. A shortage of capital and large land portfolios being held by financial institutions has increased the amount of land being leased. The terms 'land bank' and 'equity financing' have also recently become common.

Unlike other provinces, Alberta historically has chosen not to interfere with the tenure structure. However, if changes to the industry continue at the present pace, policy makers may be forced to intervene. The major premise underlying this research is that the characteristics of the present system must be understood in order to prepare the necessary infrastructure for eventual change. Future policies can only be effective if based on accurate information and constructive scenarios.

2. Problem Components

The task of identifying and evaluating the characteristics of land tenure in Alberta was perceived to involve three main components.

(a) It was proposed that the tenure institution in Alberta comprises both an economic and a social or ideological component. As such, it was deemed necessary to examine both aspects in this study.

(b) It was further proposed that the current tenure system is a function of the historical one. It follows that an understanding of the historical origins and changes within the system is essential in evaluating the nature and effectiveness of the present tenure structure.

(c) A third proposition was that there was no suitable source of information regarding specific tenurial arrangements within the province of Alberta and its various agricultural regions. Furthermore, a knowledge of the nature of these arrangements, i.e. land lease contracts, is necessary for evaluating their effectiveness for all parties.

D. RESEARCH OBJECTIVES

The theme of this thesis is the agricultural land tenure institution in Alberta. Admittedly, the scope of this topic is vast and, although the study is intended to be descriptive in nature, some areas are necessarily emphasized more than others. Both the broader and more specific objectives are outlined below.

1. To establish the nature of Alberta's tenure institution and to discover the bases for its existence:
   - to trace the origins of the tenure system;
   - to document the changes which have occurred in the system over time and to evaluate their causes and effects;
   - to identify the tenure structure as it exists today, using available data and a survey.

2. To evaluate the appropriateness and/or effectiveness of the present tenure structure:

   - to analyze land lease arrangements and landlord-tenant relationships;
   - to identify the market for lease lands;
   - to examine government policy with respect to land tenure and make appropriate recommendations.

E. RESEARCH APPROACH

The research for this thesis is conducted in three separate parts.

The first part consists of a review of the literature to determine the significance of land tenure for Alberta and to provide a basis for evaluation of other research findings. Involved is an historical analysis of the foundations of the tenure institution. The origins of various components of the present system are determined through an examination of relevent literature.

The second research component consists of the tabulation and analysis of census data from 1901 to 1986. The purpose is to substantiate the changes in tenure patterns and characteristics since the beginning of the century.

The last portion of the research involves a survey of Alberta farmers. The survey is designed to obtain primary data about the specific characteristics of various tenure arrangements in the province of Alberta. The results are also intended to serve as a basis for

comparison to existing census data. A detailed methodology for the Alberta Land Tenure Survey is contained in Chapter Five of this thesis.

F. THESIS ORGANIZATION

This thesis consists of seven chapters, a bibliography and an appendix.

Chapter One focusses on a description of the study, a statement of objectives and an outline of the research methods.

Chapter Two is concerned with the significance of agricultural land tenure in Alberta. It includes a thorough definition of tenure relevant to the study and concludes with a review of the literature concerning concepts related to tenure.

Chapter Three is designed to create understanding of the ideologies which are attached to agricultural tenure in Alberta. The social, economic and political influences on the tenure system are traced with a view to a better understanding of the consequences of change to our present system.

Chapter Four describes the historical trends and characteristics of land tenure in Alberta from 1901 to 1986. The causes and effects of certain tenurial changes are also discussed.

Chapter Five contains the methodology pertaining to the 1986 Alberta Land Tenure Survey.

Chapter Six presents the results of the Alberta Land Tenure Survey and includes an analysis of the results of the survey.

Chapter Seven includes a research summary and a presentation of conclusions and recommendations.

G. FOOTNOTES

1. Interregional Land Tenure Research Committee, United States Department of Agriculture. Land Tenure Research: Scope and Nature, ERS-119, 1962, p.1.

2. Ip, P.C. and C.W. Stahl, "Systems of Land Tenure Allocative Efficiency, and Economic Development", AJAE Feb. 1982, p.120.

CHAPTER II

THE IMPORTANCE OF AGRICULTURAL LAND TENURE IN ALBERTA

A. INTRODUCTION

Agricultural land tenure in developed economies is becoming an increasingly important topic in the research literature. A major focus of this research has been on the effects of tenurial change and on the efficiency of emerging tenure forms. This chapter is intended to highlight the significance of tenure and tenure research for Alberta.

The chapter begins with a definition of tenure. This is followed by a description of applicable tenure classifications. The next three sections focus on the relevance of tenure goals, security of tenure and tenure related policies.

B. DEFINITION OF AGRICULTURAL LAND TENURE

The concept of land tenure encompasses a wide spectrum of related subjects. The term is often misinterpreted and/or used to denote only part of its full meaning.

Land tenure has been aptly defined as:

> "All rights and relationships that have been created among men to govern their relations with respect to the land. These relations determine

> the varying rights to control, occupy, and use land, and includes any interest in land, extending to the laborer who works it as well as to the creditor who had loaned funds to a land user."[1]

This definition emphasizes land, rights and men, as well as relationships, thus implying an important link between the economic, social and legal/political institutions in a society within which farmers operate. A system of tenure creates the framework of expectations which motivate the agricultural producer to economic activity. It therefore becomes "a necessary means for the distribution of the derived benefits among the producers"[2]. Ultimately, tenure reflects the arrangements by which farms of a given size, value and productive power are operated[3].

Agricultural land tenure is, itself, an institution in rural society. Institutions in this context are:

> "sets of ordered relationships among people which define their rights, exposure to the rights of others, privileges, and responsibilities."[4]

The classification of land tenure as an institution is important for this study because there may exist a unique set of relationships for Alberta's rural society, or for different regions within the province. As such, it is necessary to understand these relationships in order to evaluate the effects of changes in the system. Changes may occur as a result of agricultural policy decisions or from changes in the general structure of agriculture.

C. TENURE CLASSIFICATION

There are both general and specific classifications of tenure. The general categories reflect more the nature and legal status of the landholder; whereas the more distinct classifications relate to relationships which specify conditions under which the individual land user operates.

One classification of general tenure forms is given by the Food and Agriculture Organization[5]. Those forms which are pertinent to the Alberta environment are summarized as follows:

1. Customary Tenures

This group is characterized by the non-individual ownership of land and by the lack of rights to its use, except according to the customs of the societal group. The system is representative of the tribal custom concept which is prevalent on Indian reservations throughout North America.

2. Communal Tenures

This category pertains to certain groups of society who farm as a group. The land is owned by the group, and costs and benefits are often distributed equally among everyone. The most common example of this system in Alberta is the typical Hutterite colony. This class of tenure accounts for approximately three percent of Alberta's farm land.[6]

3. Individual Proprietorship Tenures[7]

This definition refers to those farming operations associated with individual farmer-owners, tenant farmers who rent land from various landlords, and both farm managers and laborers. Generally speaking, this group is composed of all operators not included in the two previous tenure classifications. This category comprises over 95 percent of the total agricultural land and farm population in Alberta.

More specific forms of tenure vary according to such matters as permanence of tenure, share of costs and benefits, sources of finance, responsibility for management decisions, and supervision of various other production activities. Reynolds notes that:

> "the existing tenure system can be regarded, not as a fact of nature, but as reflecting the interests and preferences of land owners and cultivators, plus production characteristics of agriculture."[8]

This observation can be expanded to include the preferences of credit institutions, various members of the marketing chain and those of farm policy makers.

The most common tenure arrangements in Alberta are as described below:[9]

(a) Owner Cultivation or Owner-Operator Tenures

This classification treats land as a resource which is owned and cultivated by an individual or family. It also implies that the farmer owns his entire farm land

base; that is, he does not rent from others. Some writers have placed restrictions on this definition through the incorporation of such concepts as farm equity, farm structure or organization, and property rights[10].

(b) Share Tenancy

Share tenants typically rent their total land base from one or more landowners in return for a stipulated portion of the farm output. The farm operator commonly is free to make all management decisions with the possible exception of explicit instructions which may be contained in the rental contract.

Share tenancy should not be confused with 'share croppers', a term used to describe farmers who work under the supervision of the landlord who also furnishes all machinery and, in some cases, inputs.

(c) Fixed Rent Tenancy

The fixed rent tenure class typifies the operator who rents his entire land base. He pays a fixed rental charge per unit of land and may be subject to other terms in his particular contract. Payment may be in the form of cash or in kind. In Alberta, the tenant is primarily an independent farm operator and, as such, manages his operation as he sees fit. The fixed rent is usually a cash payment.

(d) Part-Owner/Part-Tenancy

The operators associated with this category own a portion of their land base and rent additional land from

others under a share agreement, fixed rent agreement, or a combination of the two.

(e) Communal and Customary Tenures

These tenure forms were defined in the general class definitions. However, it should be pointed out that they may exist in various unique forms according to the societies and cultures in which they are found. For instance, a farmer on an Indian reserve may rent land from neighbours who have the right of use of their fields but do not wish to farm. Alternatively, an Indian may own land off the reserve in addition to his 'tribal holdings'.

As stated earlier, communal tenures in Alberta apply primarily to Hutterite colonies spread throughout the province.

For the purposes of this study, tenure forms are labelled, for the most part, as owner or owner-operator, tenant, and part-owner/part-tenant (owner-tenant). The other specific tenure classifications as defined above are referred to throughout the study where appropriate.

D. LAND TENURE GOALS

One way to understand the significance of a land tenure institution in society is to examine the specific goals of the system.

Each tenure system has its own set of goals, based on the social, political and economic environment in which the system exists. In theory, tenure goals do not

necessarily represent the actual performance of a particular system, but reflect people's views as to what a tenure institution should ideally provide. The Royal Commission on Agriculture and Rural Life in Saskatchewan concluded that "the land tenure structure should facilitate those practices and improvements which add to individual well-being and, at the same time, benefit the whole society."[11] Following this reasoning, tenure goals fall into three basic categories: economic, social, and legal.[12]

1. **Economic Goals**

In the economic realm, the tenure system should provide for efficient and productive use of resources, equitable incomes for farm families, and ensure security of employment and residence for farm operators. As such, it should lend itself to freedom and flexibility in production and management. Just as important, especially for today's rapidly changing environment, tenure goals should ensure ease of transition for farm families during periods of adjustment. This includes both entry and exit to farming. In addition, land tenure should help in achieving conservation of land resources.

2. **Social Goals**

In order to realize the potential for economic growth, the social well-being of the rural population and

society as a whole must be considered. In this sense, tenure goals should be concerned with maintaining equitable standards of living, as well as encouraging unbiased participation by all tenure classes both in and outside of the community. Again, an important issue here is stabilizing the effects of rural migration, such that community structures and personal integrity are preserved.

3. **Legal or Political Goals**

The role of laws and government legislation is to provide stability (not rigidity) within the economic and social institutions which make up agriculture. The legal institution must be in harmony with the others, including that of land tenure, in order for the system to function effectively. To do this, "the legal bases of land tenure should be clearly defined, yet capable of adjustment"[13]. More specifically, legal goals are concerned with providing security of tenure without discriminating against any participants in the system.

Land tenure goals suggest how a particular system is supposed to function in the eyes of the existing society. The object of tenure research is to evaluate the actual performance, as well as the appropriateness of a tenure system with respect to its goals, at a given point in time.

E. TENURE RESEARCH TRENDS

The economic well-being of farmers under different

tenure forms is not predicated upon owning all of their land. Historically, theorists stressed ownership of land as being ideal for maximum productivity and efficiency in agriculture. Agricultural policies, notably those in Alberta, have reflected this notion. This perception spawned theories such as the 'agricultural ladder theory' which predicted that every farmer would eventually own his land. The ideals surrounding owner-operatorship are still strong but the economic goals of income maximization and efficiency are becoming more important considerations among operators.

As early as 1937, C.A. Wiley expressed his ideas concerning the agricultural ladder theory.

> "Of course, most of us having seen barnyard ladders leaning up to something infer that the agricultural ladder slants up. The inference is no better than classical economic doctrine...it was good so long as you granted the major premise."[14]

Although still constrained by certain institutions, many owner-operators are descending the agricultural ladder to a mixed tenure status in search of more economic gains from farming. At the same time, mixed tenure facilitates entry to farming.

Other economists have demonstrated the merits of combining leasing with owning land in North America. T.W. Schultz, in 1940, supported tenurial reform on the basis that farm tenacy could be an efficient form of tenure[15]. Rainer Schickle (1941) argued that individual mixed tenure

farms could be superior in efficiency to wholly-owned farms if certain criteria were met which contributed to security of tenure for the operator. The criteria included social acceptability[16].

More recent researchers on the subject of tenure have concluded that tenancy in various alternative forms can be an efficient contractual arrangement. Furthermore, farmers in the growing mixed tenure category are depicted as being the most successful; owners who enlarge their operations by renting as well as tenants who have purchased land. The success of mixed tenure farmers is attributed to their ability to combine the benefits of land ownership and renting[17].

In assessing the acceptability and/or efficiency of any tenure types, the literature contains unanimous agreement on the existence of certain factors which must be considered. These include:

1. Security of Tenure

o type and prevalence of lease contractual arrangements

o capital investment requirements

o attitudes of landlords and tenants

2. Land Market

o price and availability of land for lease and/or sale

3. Supporting Policies

o credit and lending

o producer incentives

- landlord and tenant protections
- taxation

F. FOOTNOTES

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CHAPTER THREE

FACTORS INFLUENCING THE DEVELOPMENT OF ALBERTA'S LAND TENURE SYSTEM

"UP! be stirring, be alive,
Get upon a farm and thrive!
He's a king upon a throne.
Who has acres of his own!"
Alexander McLachlan
(1889)

A. INTRODUCTION

Structural change in Alberta's agriculture is having an effect on the tenure institution. Technical and economic changes may be positive factors for growth in the industry. However, institutional, attitudinal and ideological factors must also be considered in order for change to be effective. "Technological (and economic) innovation is like a light bulb without electricity--the potential exists but without the complementary input nothing will happen."[1] Institutional, attitudinal and ideological factors are very much a part of Alberta's tenure system. The purpose of this chapter is to examine the origins of the prevailing ideologies which are embedded in the tenure institution, with a view to understanding their nature. This will serve to facilitate future changes.

B. IDEOLOGICAL INFLUENCES

There have been several important influences which have contributed to the set of values governing Alberta's tenure system. To a large extent, emphasis on the owner-operator form of land tenure is a direct reflection of the beliefs of those policy makers who influenced the nature of agriculture development on the Prairies. This section looks at the sources of those beliefs, as well as other motivating factors, including the influences of early settlers and other participants in the settlement of the West.

Figure 3.1 shows the linkages and relationships of the most important influences on Alberta's tenure system. The figure serves as an outline for the discussion in this section, beginning with the Physiocratic influence.

1. The Physiocratic Influence

The Physiocrats, or "les Economistes", were a group of French economic philosophers whose school of thought was formally organized in 1757. Their work was motivated primarily by their perceptions of a need for social change in France and as a reaction to the negative effects of Mercantalism on the French countryside. Under their first leader, Francois Quesnay, they developed concepts which had a long-lasting influence on social, economic and political thought around the world. Ironically, their ideas were not accepted by the ruling power structure in

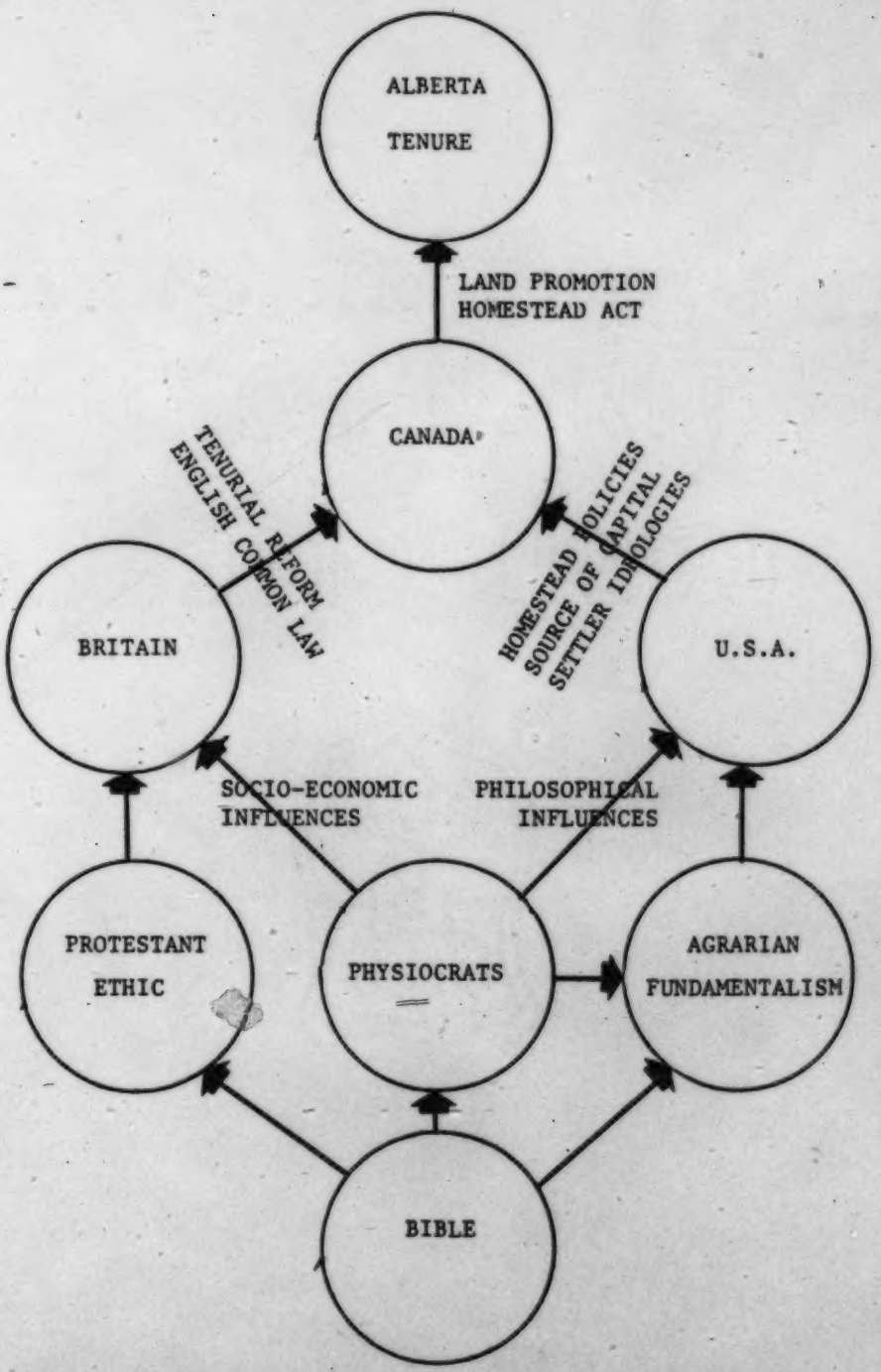

Figure 3.1: Influences on the Development of Alberta Land Tenure

France and this led to the demise of the school after the French Revolution of peasants.

As examples of their influence, the Physiocrats are the originators of the expressions "laissez faire", "entrepreneur" and "impot unique" or single tax. Of equal importance has been the propagation of their beliefs about the value of agriculture and property rights in land.

(a) Physiocratic Philosophies Relating to Agriculture

Many of the ideas of the Physiocrats were incorporated into their Tableau Economique, an idealistic yet explicit model of an economic system based on the general law(s) of the "natural order"[2]. Implicit in this model are their philosophies concerning the 'divine nature' of land and those who farm it. These fundamentals have had a profound effect on Canadian land tenure.

The Value of Agriculture

The Physiocratic doctrine extolled the virtues of agriculture in both an economic and a 'religious' context. The basic argument was that all wealth is ultimately derived from the land; manufacturing and commerce only change the form and location of that wealth[3]. From an economic standpoint, "agriculture was unique in that the new wealth created by agricultural production exceeded the wealth destroyed in the process of production"[4]. In other words, agriculture was always capable of generating a surplus. This capability was attributed to the

characteristics of land and to nature in that: "Land owes its fertility to the might of the Creator, and out of His blessing flow its inexhaustible riches. The power is already there, and man simply makes use of it."[5]

Just as agriculture was seen as the chief cornerstone of the economy, so were those who owned and operated the land. Although the 'productive' class which rented land from the 'proprietary' class were not on a par in the socio-economic hierarchy, each group was revered according to its respective role. The Marquis of Mirabeau, a staunch physiocrat, exemplified the role of agriculture and those who worked in it:

> "The means of subsistence are the measure of population. The production of food should therefore be assisted and the burdens alleviated. The small cultivator is to be encouraged and held in honor. Great landowners should live on their estates and see to their development, and not lead an absentee life of pleasure in the metropolis. Interest should be reduced, public debts extinguished, and a ministry of agriculture to bring agriculture to the succor of the applied sciences; to facilitate the development of canals, communications and drainage. The state is a tree, agriculture its roots, population its trunk, arts and commerce its leaves. The leaves are the most brilliant part, but the least enduring. A storm can destroy them. But the sap would soon renew them if the roots maintain their vigor. To the roots the remedy must go, to let them expand and recover. If not, the tree will perish."[6]

Robert Jacques Turgot, another prominent physiocrat, also expressed the role of the farmer. He wrote in 1766:

> "He [the husbandman] is, therefore, the sole source of the riches, which, by their circulation, animate all the labors of society; because he is the only one whose labor produces over and above the wages of the labor..."[7]

Property Rights

Among the Physiocratic doctrines was their strong belief in private property rights in land. Their views are aptly expressed in the following assertion by Quesnay:

> "The ownership of landed property and moveable wealth should be guaranteed to those who are their lawful possessors; for security of ownership is the essential foundation of the economic order of society. In the absence of surety of ownership the territory would remain uncultivated. It would have neither proprietors nor farmers to make the expenditure necessary to improve and cultivate it, if protection of funds and products were not guaranteed to those who make the advances of this expenditure."[8]

Quesney proposed that the 'entrepreneur' or land owner, being the divine steward over the land, was entitled to the agricultural surplus. This surplus represented a compensation to the landholder for providing the land and served as a motivation to improve and maintain it for the benefit of the whole society. This argument for 'right of ownership' figures prominently in classical economic theory and in the farm fundamentalisms popular in North America and other parts of the world.

(b) The Transmission of Physiocratic Philosophy

The physiocratic influence on Canadian land tenure has occurred via various means, which are outlined below.

Thomas Jefferson and U.S. Farm Policies

Much of the Physiocratic philosophy was reflected in the early North American attitudes toward agriculture. This is attributed mainly to Thomas Jefferson.

In addition to being the second president of the United States and a writer of the Declaration of Independence, Jefferson also served as an ambassador to France, beginning in 1784. While in France he became associated with DuPont de Nemeurs, an influential supporter of the Physiocrats, and then Director of Commerce for the French Government. During his stay in France and through later correspondence, Jefferson became very impressed by the ideas of the Physiocrats.[9]

There is strong evidence of this in

America can own land."[13]

Economics and Social Thought

A number of the physiocratic theories were both criticized and endorsed by prominent 'thinkers' throughout Europe and even Asia. Adam Smith, David Ricardo, Thomas Malthus, John Mill, Karl Marx, Henry George and others have referred to the Physiocrats in their writings. These people and modern writers have considered the Physiocrats as important contributors to the evolution of economic ideas.[14]

Adam Smith, in particular, showed interest in the Physiocratic theories of rent, economic growth and the importance of land ownership. Deane points out that:

> "In view of Adam Smith's interest in the Physiocrats, whom he met on his visit to France, and with whose laissez-faire policy prescriptions he sympathised more than with the interventionist propensities of the English mercantalists, it is not surprising to find that the Smithian theory of growth has some affinities to their model."[15]

In support of land ownership, Adam Smith argued that "tenants would not use their own capital in production, as the landlord would receive a share of the resultant increase."[16] This theory has been reiterated by Twentieth Century agricultural economists such as Earl Heady. Heady demonstrated how this problem could be overcome in leasing arrangements.

Since the Physiocratic era, economists have favored the ownership of land on the grounds that this tenure form makes more efficient use of resources and provides an

incentive to the producer. Others have suggested that a society of predominantly land-owning farmers contributes to political stability.

2. The English Influence

Given that England effectively served as Canada's government before Confederation, her land tenure experiences and agricultural policies were bound to have figured prominently in the Canadian experience.

The English influence on Canadian land tenure came in two major forms. The first is related to the negative aspects of the English land system. The second is the influence of English common law.

The Influence of Feudal Tenures

Canada is said to have been England's land reform. This assertion refers to the events which occurred as a result of a general dissatisfaction with England's tenure system on the part of tenant farmers. This dissatisfaction, in conjunction with Canada's offer of free land, helped to precipitate both the emigration of would-be entrepreneurs to Canada and tenurial reform in England.

Under the traditional English feudal system of tenure, all land and rights over land were held by the King. At his discretion, the King granted a portion of these rights to others under specific conditions of

tenure. These conditions consisted of various obligations on behalf of landlords, tenants and the state. Essentially, the state rewarded the alliegance of lords with land and subsequent status. In return, the lords were supposed to pay taxes to the state and give fair rewards to farm laborers and tenants, who were themselves under obligations of loyalty to their lords.[17]

The system was far from being perfect. A struggle amongst lords to gain status, combined with increases in obligations to the state and an economic decline in agriculture, led to the abuse of tenants. The terms 'forced labor', 'bondage' and 'serf' became associated with feudalism. The resulting upheaval fostered less agricultural productivity on estates and the displacement of tenants and laborers.

Tenurial reform was slow and gradual. It was not until 1875, and the first Agricultural Holdings Act, that tenants became legally eligible to gain compensation for improvements and entitlement to a minimum period of one year before a notice to 'quit' could become operative.[18] Thus, at the time of the development of Western Canada, there still existed considerable dissatisfaction among England's tenant class, which comprised approximately eighty-five percent of the agricultural operators.[19]

The influence of feudalism on Canada's land policies was a combination of Canada's desire to avoid a feudal-like tenure and the desire of potential English emigres to

escape it. This situation was described by Leonard Salter:

> "So anxious were we...to be completely rid of feudal bonds, we did our best to establish what we thought was an opposite type of land system. We...[gave] title to land to private individuals, and the individuals who received these titles received for themselves and their heirs and assigns forever as nearly complete freedom in respect to the use of their land as has been granted by any land system anywhere established. ...Furthermore, in this country, by 'private ownership of land' we have meant almost one hundred percent full rights for the owner to do as he pleased with that land."[20]

This observation is expanded upon by Louis Hartz:

> "...But where land was abundant and the voyage to the New World itself a claim to independence, the spirit which repudiated peasantry and tenantry flourished with remarkable ease."[21]

The Canadian Government, in need of entrepreneurial spirits to settle the West, openly promoted the availability of land and freedom, even to the point of organizing expense-paid tours from Europe.[22]

English Common Law and Free Tenure

An examination of the property laws in place in England from the eighteenth century is directly relevant to an understanding of the evolution of Alberta's tenure system. English common law with respect to land tenure is still the basis for Canada's legal framework concerning ownership rights. These laws constituted the legal justification for the Homestead Acts and remain an important part of today's tenure institution. More

specifically,

> "Plenary jurisdiction with respect to property law and civil rights was given to the provinces under the B.N.A. Act s.92(13). The North-West Territories Act, 1886 (Can.) c.25, s.11, established that the laws of England as the same existed on July 15, 1870, applied to the Territories. Finally, the Alberta Act, 1905 (Can.), c.3, s.10, shifted former territorial power to the Province of Alberta, and so English law was formally received into our province."[23]

Ironically, much of the credit for the fundamentals of the common law of real property has been given to the feudal system.

> "Many theorists on property...look back at the feudal system and applaud a basic theory woven within it, namely, that land is held, that stewardship rather than ownership is basic, and that the holding of land is a reciprocal relationship of rights and duties."[24]

English common law had undergone some changes prior to Canada's independence. These changes were mainly concerned with expanding the bundle of property rights afforded to a holder of land. The forces which led to a more absolute freedom of ownership were equally political, economic and social. Many prominent writers of the Nineteenth Century stressed the values of freehold estates in land to the extent that this era has been identified historically as the period of 'laissez-faire individualism'.[25] Canada's land tenure system reflects those changes to English common law, which provided the legal basis for the Canada Homestead Act of 1872.

C. THE EFFECTS OF CANADA'S LAND SETTLEMENT POLICIES

The strong belief in the doctrine of every farmer owning his own land is inherent in the free-homestead system adopted for the prairies under the Dominion Lands Act of 1872. The development strategy for the Canadian prairies was a culmination of that employed for the settlement of Upper Canada, beginning in 1792. The Province of Upper Canada pursued an active policy of granting two hundred acres (as a rule) to Loyalists and other immigrants for a "modest fee and an oath of allegience"[26].

Historians such as Hansen and Bartlet[27] have stated that the basis for this policy was founded on two criteria. Firstly, the combined political influence of the British and the United States led to an adherence to this form of colonization. Secondly, both the political leaders and the influential entrepreneurs of that era concurred that the granting of land parcels to prospective farm families would "uphold the democratic process and constitute the most efficient and economical method of developing the land resources and increasing the production of foodstuffs"[28].

These philosophies eventually proved to be fruitful as agricultural expansion moved westward. The prospect of free or cheap land attracted manpower and capital on a scale unequalled by other nations, including the United

States.

1. The Homestead Act and Its Effect on Land Tenure

Public policy governing settlement of the Canadian prairies resulted in a high proportion of owner-operators on small land holdings. Soon after Canada acquired the Hudson's Bay lands from the British Crown in 1869, a settlement policy known as the Dominion Lands Act or 'Homestead Act' was introduced in 1872. From this time until 1930, a period of almost 60 years, lands in the West were under federal control.

Under the Homestead Act a settler was allowed no more than one quarter section of land. During the three years before title was granted, the settler had to meet certain requirements of residence and land improvements. An application fee of ten dollars was required initially. In 1879, an amendment to the Act made it possible for a homesteader to obtain up to 160 acres adjoining his homestead for an additional ten dollar fee plus a purchase price of one dollar per acre. This amendment remained in effect for only a few years, was reinstated in 1904, then cancelled again following World War I when returning veterans homesteaded much of the remaining free land.[29]

These early development policies formed a foundation for an owner-operator system of tenure, while at the same time creating impacts which would carry serious implications for future trends in the farmer's

relationship to the land. These implications are borne out through the following observations:

(1) Due to the size limitations of homestead tracts, plus the fact that over one-half of the available lands were reserved for the crown and the railroad companies, too many homesteaders settled on a land base too small to support a family. This problem was exacerbated with the subsequent development and adoption of new technology.

(2) Although additional lands (160 adjoining acres) were available for purchase, the majority of settlers could neither afford the purchase price, nor the associated costs of developing the land.

(3) After the beginning of the 20th Century, costly technological innovations coincided with years of crop failure, low prices for agricultural goods, and a shortage of capital. Many discovered that an adequate livelihood was not possible on a quarter section. Moreover, there was little or no land available for farm expansion. This situation has been aptly summarized by Hofsteader:

> "The promise of the Homestead Act was a lure for over-rapid settlement in regions where most settlers found, instead of agrarian utopia, a wilderness of high costs, low returns and mortgages."[30]

All of the foregoing circumstances, in conjunction with changes in the structure of agriculture and influence through other means, triggered a pattern of changing tenure which has continued until the present day. Policy

makers abetted this tenure transformation when, in recognition of the barriers to individual farm expansion, they endeavored to alleviate them by instituting homestead lease options as an alternative to purchasing.

Some writers have advanced more forceful opinions regarding the after-effects of early settlement policies and hint at the emergence of a 'landed aristocracy'. B. Wilson, in describing the displacement of smaller family farms[31], postulated that:

> "what was once considered a right by many on the prairies--ownership of land and the chance to become a farmer--has now become a privilege, available often because of whom you know or who you are related to, rather than how hard you are willing to work. A privileged land-owning class is evolving, and entry to that class is increasingly restricted to the sons, daughters and relatives of landowners who can offer land through inheritance or family help."

Further amendments to the Homestead Act precipitated to some degree, however unwittingly, the transition from a predominantly owner-operator style of tenure to a part-owner or mixed tenure. In 1930, the Alberta Government assumed control of the Crown lands remaining in the Province. Further disposition of lands fell under the jurisdiction of the Department of Lands and Forests, in tandem with the passage of the Alberta Homestead Act. The regulations governing the acquisitions and conditions of homestead sales and leases remained very similar to the original Federal Act until major revisions were made in the Alberta Public Lands Act in 1966. The revisions

included:[32]

(1) The disbanding of homestead sales and leases, with the exception of those in effect at the time;

(2) The establishment of farm development sales and leases. Under the new programs, priority was given to local farmers to increase their land base primarily in the Peace River Region.

These changes in and of themselves did not contribute to an increase in land rental in the Province. Rather, they can be credited in part to policies incidental to the broader amendments. Such policy changes included an increase in the purchase price of homestead land (up to 85 dollars per acre); a significant decrease in the amount of land made available for homesteading; and a relatively low priority given to the awarding of lands to new entrants to farming. These policies, combined with rapidly escalating costs of land development, have all but eliminated farm expansion through access to public lands.

It is recognized, of course, that various other factors have influenced the decline in the proportion of pure owner-operators in Alberta. These factors will be analyzed in greater detail in the following section of this thesis. It should be noted, however, that spiralling inflation in the private land market, rising input prices, high cost of capital, and lower profit margins have been characteristic of the structural transformation of agriculture.

The trend toward economies of size as the mode of achieving economic security in farming has induced farm operators to look to leasing as an alternate road to expansion. A. Whitney Griswold, in his book Farming and Democracy[33], viewed the relationship of tenure and economic independence as being one which should not be taken for granted:

> "The qualities inherent in farming including equitable forms of tenure and the property rights that were supposed to guarantee them to society, derived in the first instance from economic independence. And economic independence, defined with any regard to the ethical pretensions of modern society or the material capacities of its technology, is many times more difficult of attainment by the modern farmer than it was by his ancestors. It is no longer to be had for the clearing of wilderness or prairie."

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CHAPTER IV

CHARACTERISTICS AND TRENDS OF TENURE IN ALBERTA: 1901 to 1986

A. INTRODUCTION

As the structure of agriculture in Alberta has changed since the beginning of the century, so has the tenure pattern. Opinion is divided as to whether or not these changes should be interpreted as progress. Certainly there is evidence of vast development in the agricultural industry. The evolution of the system of tenure can be viewed as being either a product, or a reaction to the development process.

This section presents an overview of the tenure patterns since 1901. Statistical data and other information are used to observe and analyse the changes in land tenure with respect to their relative causes and effects. The analysis is carried out in conjunction with an examination of other changes in the structure of agriculture over the same period.

B. TENURE PATTERNS AND TRENDS

This section looks at the changes which have occurred in Alberta's tenure pattern since the beginning of the century. Explanations are offered as to the probable causes and effects of these changes in a socio-economic

context.

1. **Tenure of Farm Operators**

The proportion of Alberta farmers who own all of their land has declined since 1901. Table 4.1 shows the percentage of total farmers in Alberta and Canada under different tenure classes for the census years between 1901 and 1986.

Census data for Alberta indicates a decrease in the percent of owner-operators of 43.3 percentage points over the past eight decades (from 95.7% to 52.4%). This has been commensurate with a rise in the proportion of part-owners of 38.5 percent (from 2.2% to 40.6%). In contrast, the number of full tenants show an overall increase of only 4.8% over the same period.

The figures for Canada show less drastic changes in each of the tenure categories: -21 percent for owner-operators, +24 percent for part-owners, and -3 percent for full tenants. Canada, however, has historically had a higher proportion of owner-operators than Alberta.

Figures 4.1 and 4.2 represent graphically tenure changes in Alberta by depicting its variability between census years. It is clear that the most rapid changes in the full-owner class occurred between the years 1901 to 1941. Most notable are the periods 1911 to 1921 and 1931 to 1941, represented by World War One and the depression years. The effects of these phenomena are discussed later

Table 4.1

TENURE OF FARM OPERATORS,
ALBERTA AND CANADA, 1901-1986

DATE	OWNERS		TENANTS		MANAGERS*		OWNER-TENANTS	
	Alta.	Can.	Alta.	Can.	Alta.	Can.	Alta.	Can.
	- percent of total -							
1901	95.7	87.0	2.2	8.6	n.a.	n.a.	2.1	4.4
1911	92.0	88.5	3.8	7.9	n.a.	n.a.	4.2	3.6
1921	79.4	85.7	9.7	7.9	0.9	0.8	10.0	5.6
1931	72.7	80.1	12.1	10.2	0.3	0.4	14.9	9.3
1941	62.5	74.9	17.1	12.9	0.6	0.6	19.8	11.6
1951	62.7	77.3	11.6	6.6	0.7	3.0	25.0	13.1
1961	59.1	72.9	9.2	5.8	0.6	0.5	31.1	20.8
1971	59.3	68.6	6.7	5.2	n.a.	n.a.	34.0	26.2
1981	58.3	66.1	6.3	5.8	n.a.	n.a.	35.4	28.1
1986	52.4		7.0				40.6	

Source: Extrapolated from Statistics Canada Census Data

* For the years 1901, 1911, 1971, and 1981, census data grouped managers with the owners category.

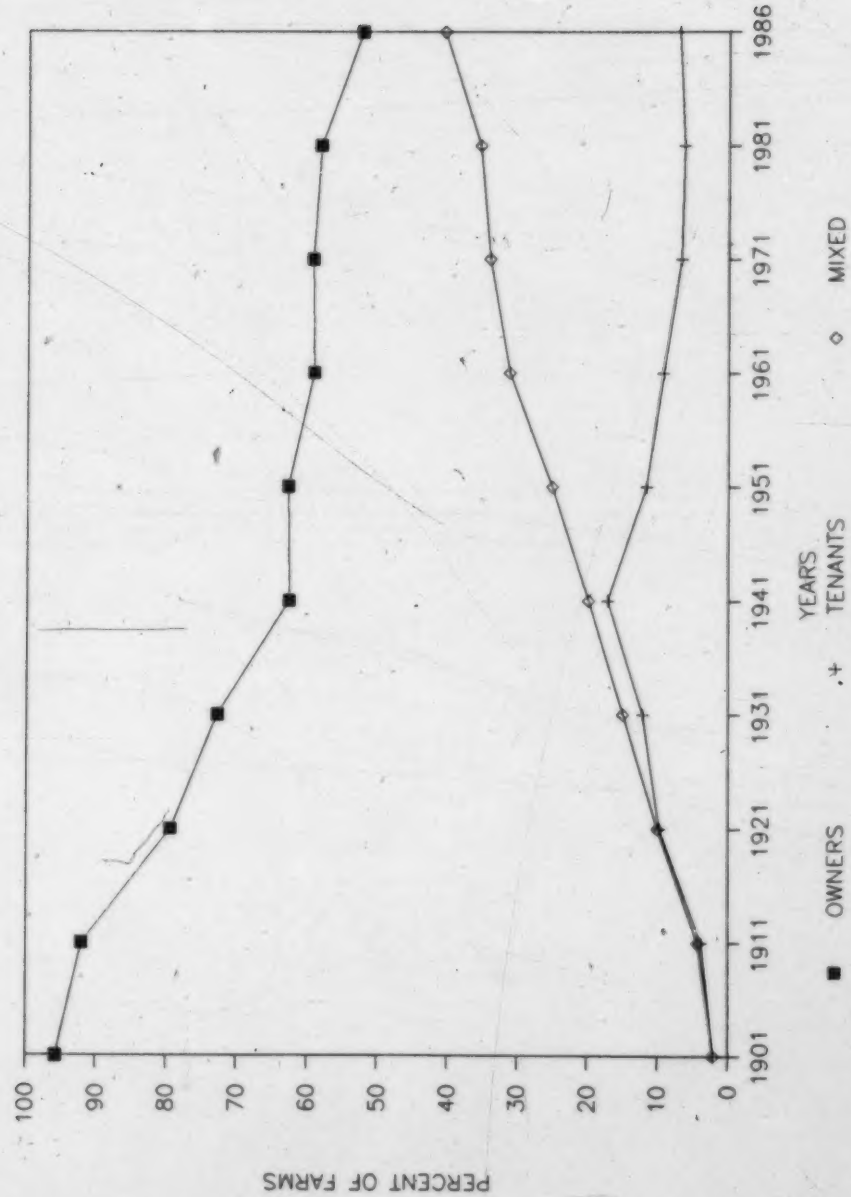

Figure 4.1 Tenure of Farm Operators, Alberta, 1901 to 1986

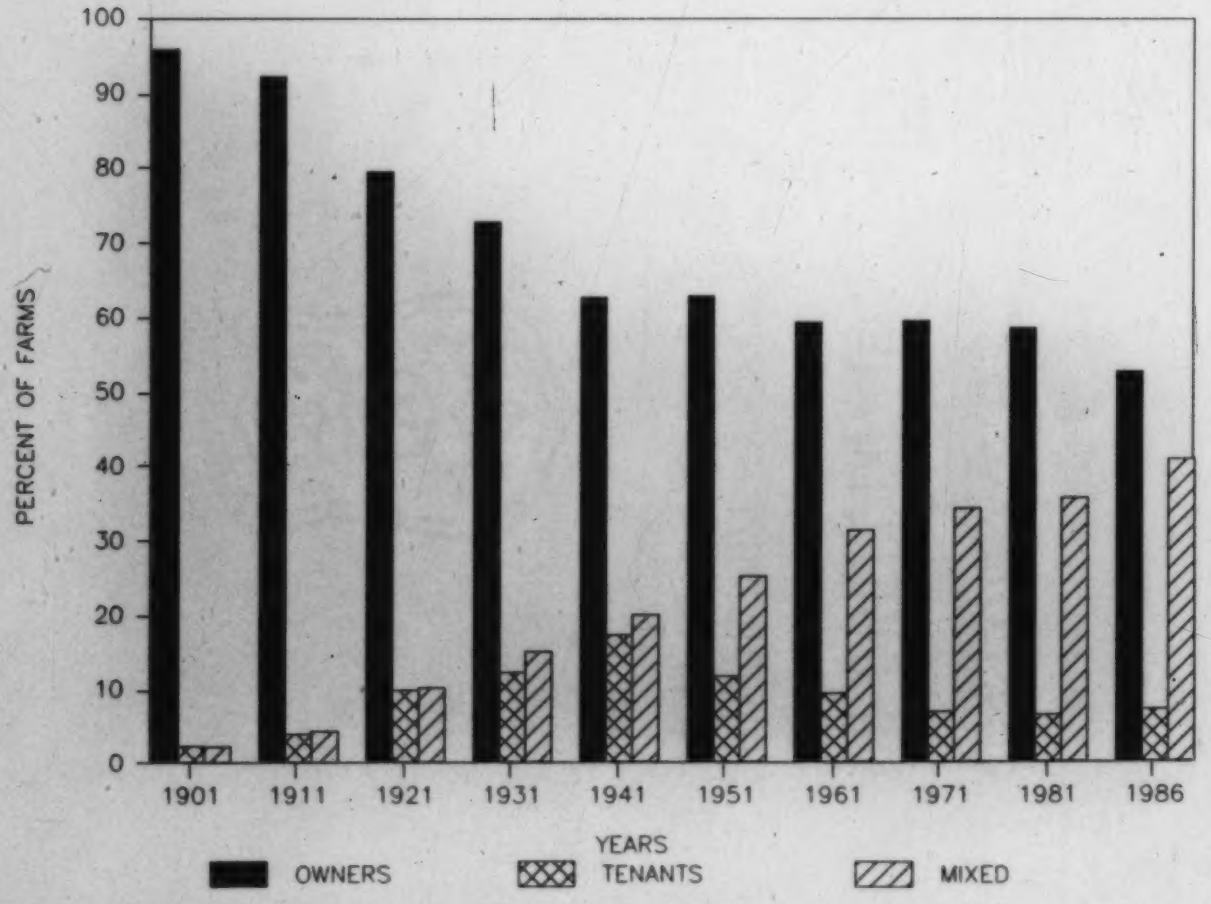

Figure 4.2 **Tenure of Farm Operators, Alberta, 1901 to 1986**

in this section. The decline in full owners was gradual and fairly consistent after 1941, with the exception of the period between 1951 and 1961.

The percent of full tenants peaked in 1941, declined sharply over the next decade, then slowly dropped thereafter.

The proportion of part owners increased steadily and evenly over the total period until 1961, when the percentages began to taper off. It is worth noting that the period of greatest change for all three tenure types was between 1911 and 1921.

Changes in the degree of tenancy are also helpful indicators of Alberta's tenure transformation. Table 4.2 combines land rented by both full tenants and part owners-part tenants to show the acres owned and rented as a percent of the total. The figures indicate that the portion of acres rented increased from 11 percent in 1901 to 41.8 percent in 1986. This translates into just under .3 million acres rented in 1901 and just over 21 million acres in 1986. Figures 4.3 and 4.4 show that the incidence of farm land rental was at its highest in 1941 after a noticeable rise over the depression years. The most significant increase was during the period 1921 to 1931, although the average climb was relatively steep and steady for a thirty-year span until 1941. After a slight decline during the post-World War Two period, land rental

Table 4.2

ACRES OWNED AND RENTED IN ALBERTA
AS A PERCENT OF THE TOTAL, 1901-1986

Census Years	Acres Owned '000 (% total)	Acres Rented '000 (% total)	Total Acres '000
1901	2,442 (89)	293 (11)	2,735
1911	15,307 (88)	2,045 (12)	17,352
1921	21,688 (81)	5,555 (19)	29,243
1931	26,921 (69)	12,057 (31)	38,978
1941	26,706 (62)	16,571 (38)	43,277
1951	29,302 (66)	15,158 (34)	44,460
1961	32,013 (68)	15,516 (32)	57,529
1971	31,712 (64)	17,794 (36)	49,506
1981	30,663 (65)	16,555 (35)	47,218
1986	29,458 (58)	21,174 (42)	50,632

Source: Extrapolated from Statistics Canada Census Data

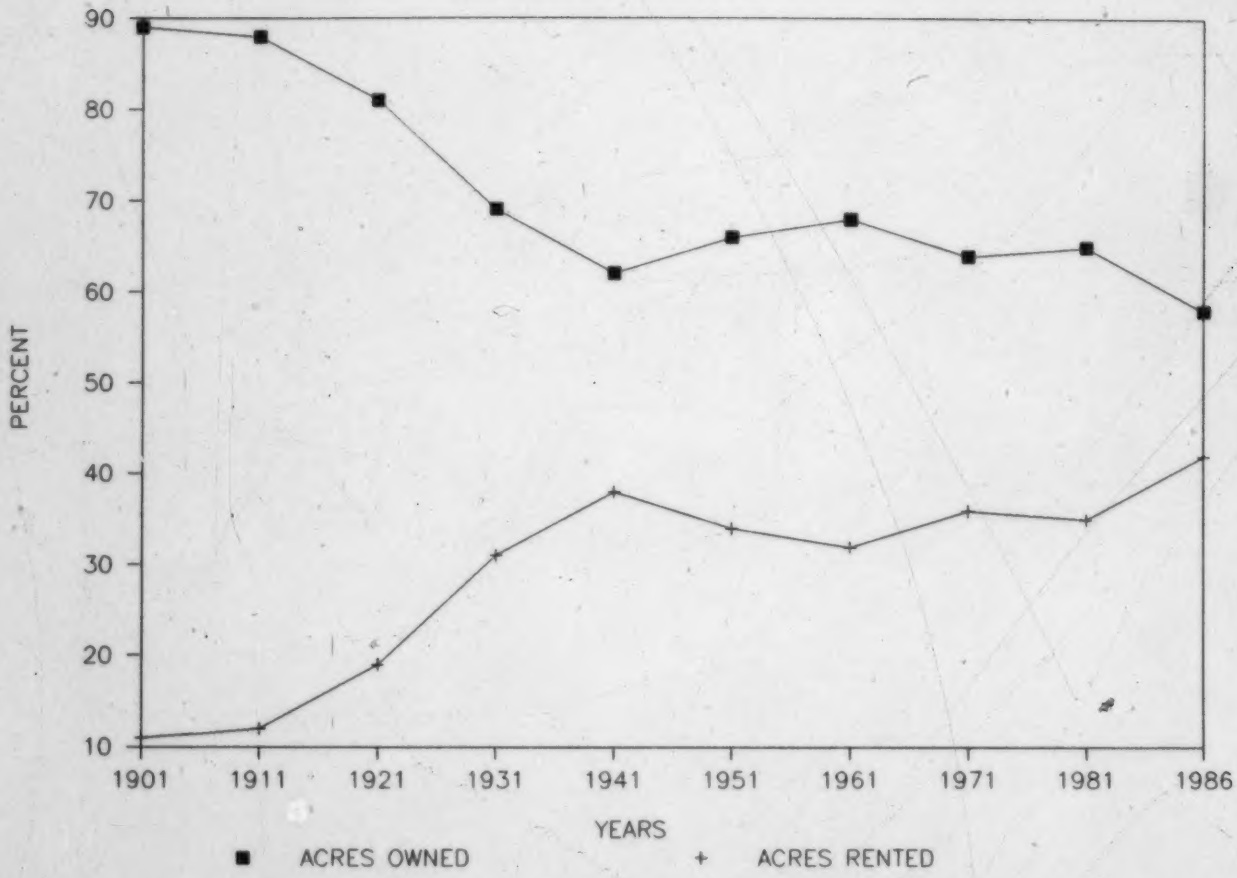

Figure 4.3 Acres Owned and Rented in Alberta as a Percent of the Total, 1901 to 1986

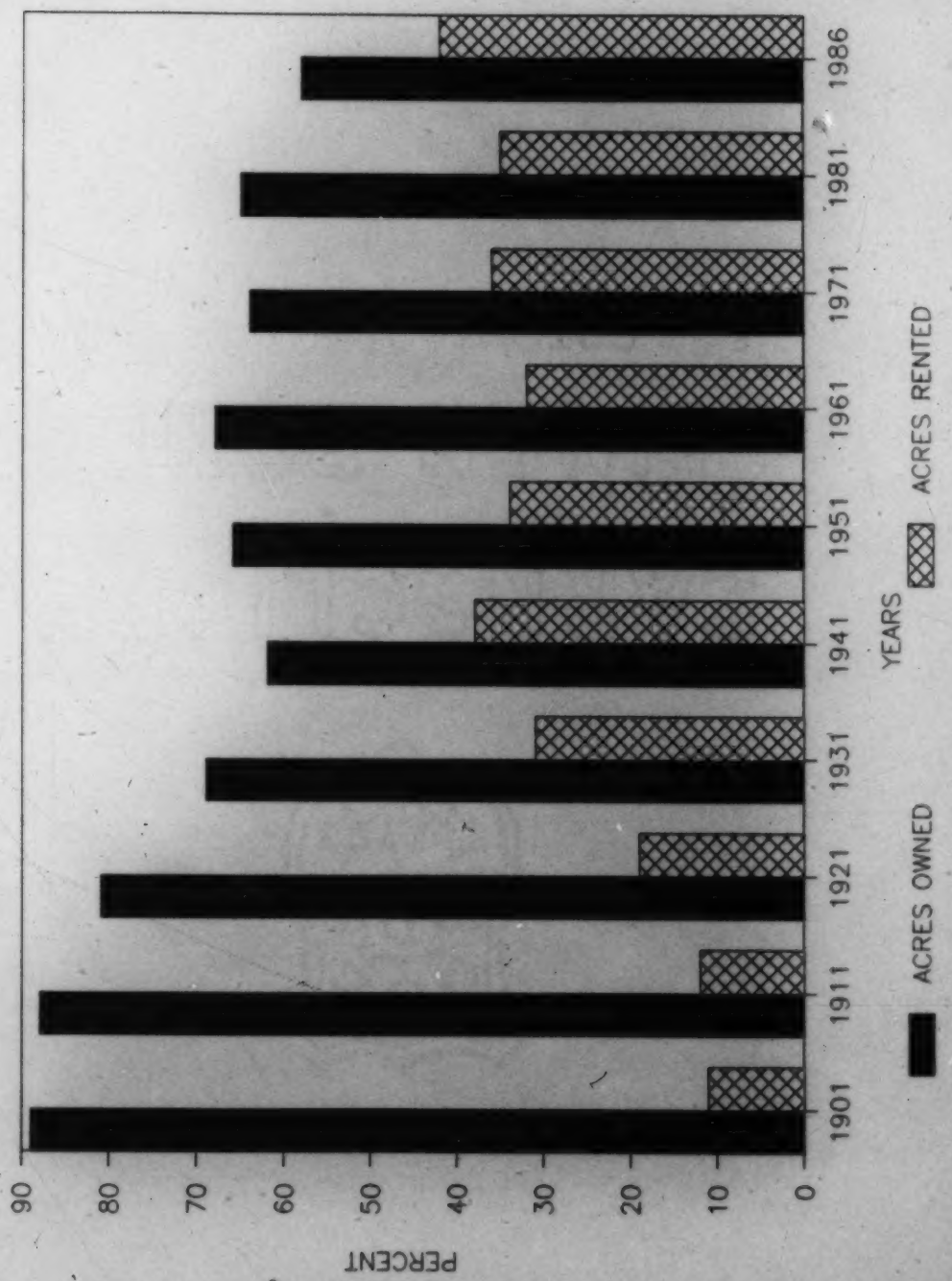

Figure 4.4 Acres Owned and Rented in Alberta as a Percent of the Total, 1901 to 1986

was again on the rise.

A comparison of Figures 4.1 and 4.3 reveals that the percentage of owner-operators from 1901 to 1951 has been reasonably synonomous with the proportion of land owned in the Province of Alberta. After 1951, the physical amount of land owned has been somewhat higher than the number of wholly-owned farms. This would suggest that the rented land was allocated to a greater number of farm operators.

The geography of Alberta is such that farming conditions vary greatly from region to region. As such, factors such as climate, topography, soil type, irrigability, type of farm operation, and settlement patterns can cause regional variations in tenure. Figures 4.5 and 4.6 show the Alberta census divisions. Table 4.3 shows the amount of rented land in each census division (C.D.), expressed as a percent of the total rented land in Alberta, for selected years.

It is evident that the areas south of Edmonton have historically rented the majority share of the Province's rental lands. Even outside of the special areas (C.D. 1 and C.D. 4), where the bulk of the operated land is government grazing leases, farmers in C.D.s 2, 3, 5, 6, 7, and 8 rented over 60 percent of the total in 1921, almost 57 percent in 1951 and 40 percent in 1981. Their share has decreased in proportion to accompanying increases in the areas north of Red Deer. The heaviest concentration of rented land has been in the dark brown grain-growing

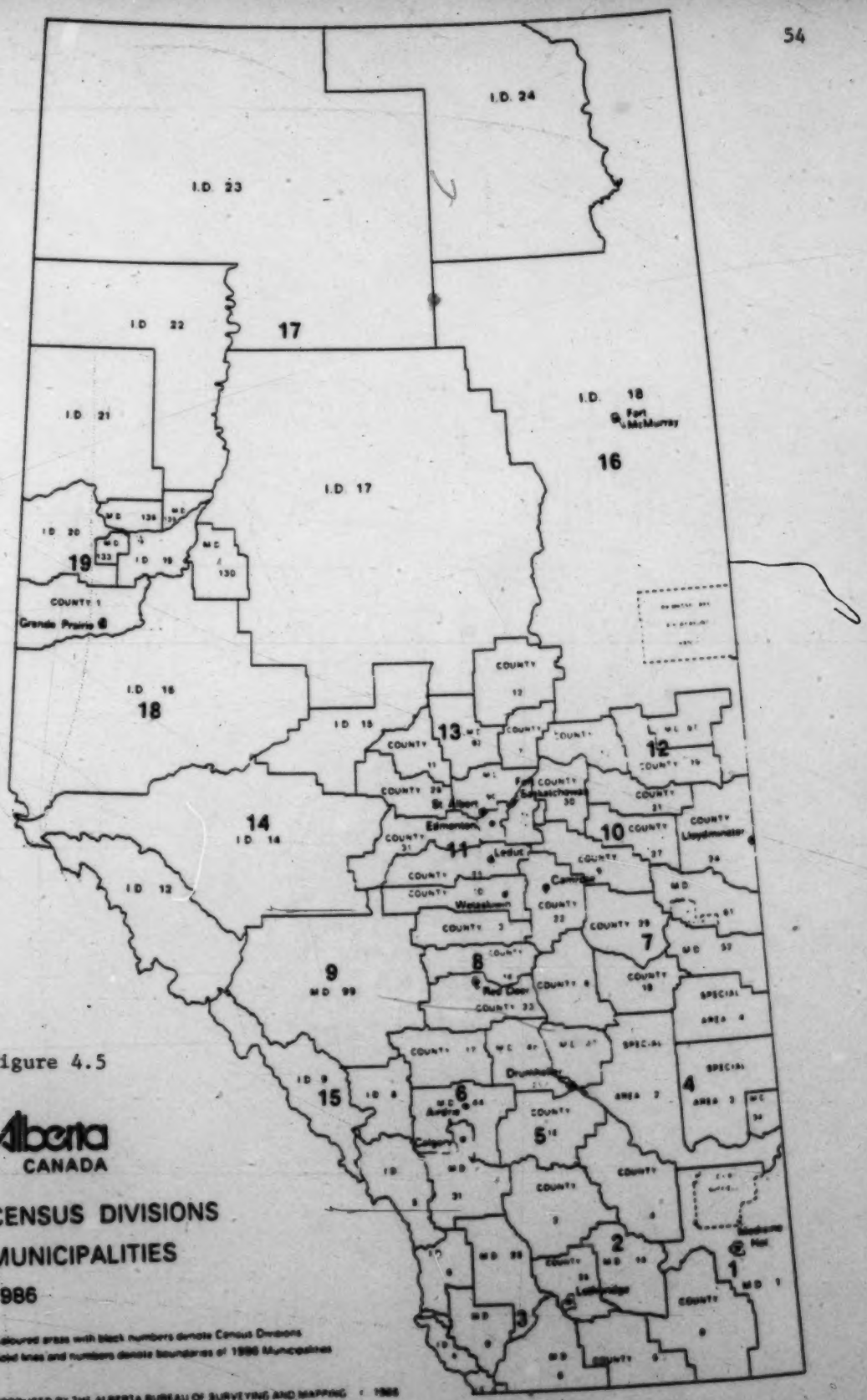

Figure 4.5

Alberta
CANADA

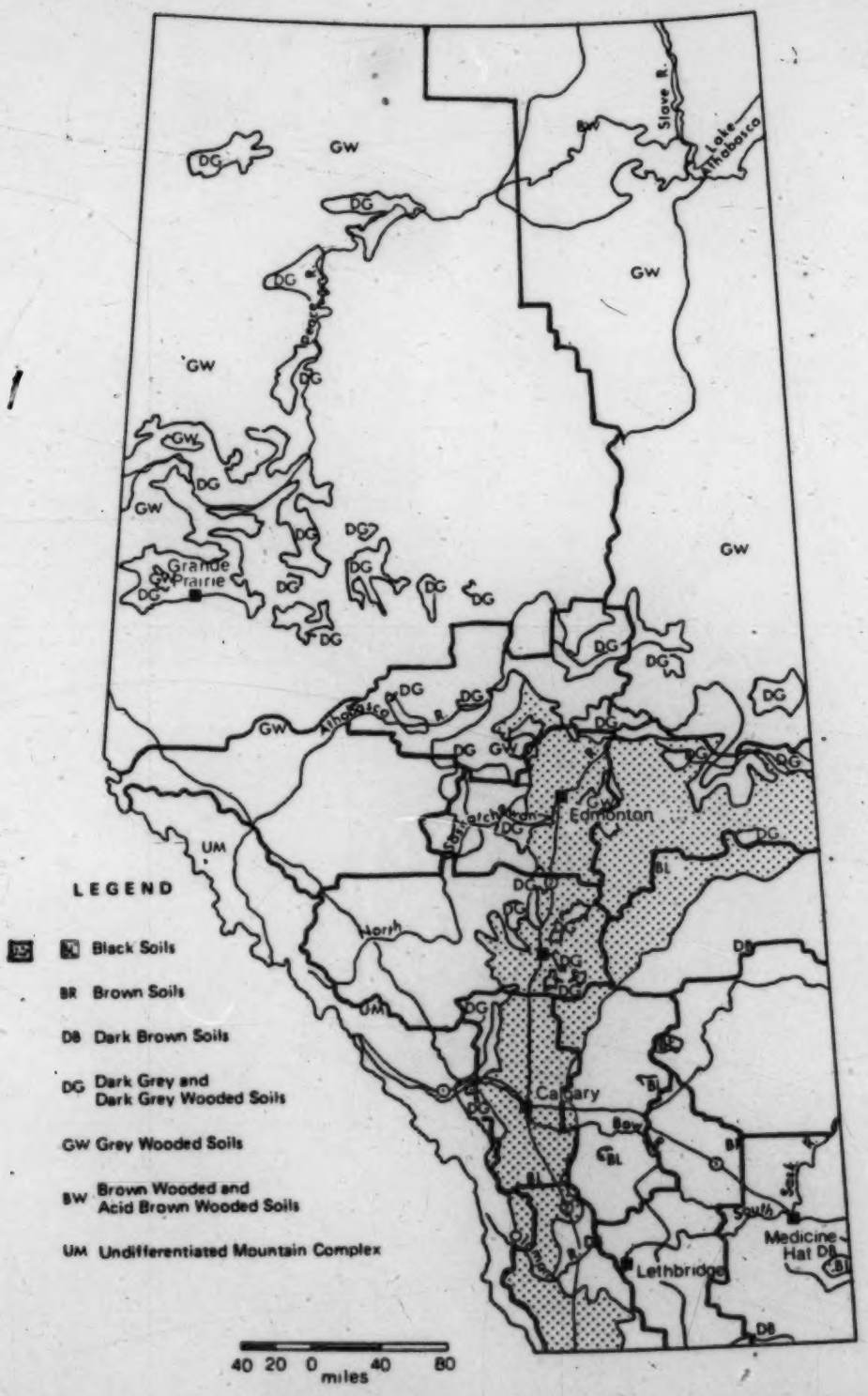

Figure 4.6 Soil Zones in Alberta by Census Division (adapted from Hu Harries and Associates Ltd. 1974)

Table 4.3

TOTAL RENTED LAND IN CENSUS DIVISIONS
AS A PERCENT OF TOTAL RENTED LAND IN ALBERTA

C.D.	% Rented Land by C.D. 1921	1951	1981	% Farmed Acres** 1981
*1	10.3	12.6	10.8	7.8
2	8.1	4.0	8.4	8.0
3	6.5	9.2	4.7	5.4
*4	11.6	7.1	18.6	10.2
5	11.8	18.4	8.0	7.8
6	12.8	8.1	5.6	5.9
7	9.8	10.2	8.3	9.4
8	11.4	6.8	4.6	5.8
9	2.3	2.1	0.4	0.3
10	5.2	6.0	8.7	10.0
11	3.5	3.2	5.2	5.7
12	0.5	0.8	3.3	4.0
13	1.0	2.0	3.9	5.9
14	2.3	3.6	0.6	0.8
15	0.5	1.7	8.8	12.9

** Total farmed acres in a census division divided by total farmed acres in the Province of Alberta

soils of southern and central Alberta. The lowest share has been that of C.D. 15 in the Peace River district, although that has jumped from 1.7 percent in 1951 to 8.8 percent in 1981.

Table 4.4 gives further evidence of the regional differences in tenancy. These figures express the amount of land rented in each census division in proportion to the total land operated. Again, outside of the special areas, more of the available farm lands have historically been rented in the districts south of Red Deer. Notwithstanding, there have been significant increases in the more northern regions.

C. CHARACTERISTICS OF A CHANGING TENURE

The previous section served as a general overview of the changes in certain aspects of the tenure system over time. However, these changes involve more than just a movement across and within tenure classes. All things which affect a farm operator's relationship to his land are part and parcel of the entire tenure institution. In this light, a look at the evolution of other related variables will help to establish the true nature of the system today.

The goal of this part of the study is to establish the factors which have precipitated the rise in tenancy, and to analyse their relative impacts on tenure. This discussion involves selected economic, social and

Table 4.4

LAND RENTED IN CENSUS DIVISIONS AS A PERCENTAGE OF TOTAL LAND OPERATED, 1921-1981

	1921	1931	1941	1951	1961	1971	1981
C.D. 1	25.5	53.4	52.5	45.3	39.4	57.4	48.2
2	20.7	29.8	31.7	22.3	29.8	41.0	36.6
3	20.5	69.1	64.7	47.7	23.4	29.5	30.6
4	24.9	37.1	39.4	38.4	67.0	69.3	64.3
5	19.8	40.9	59.6	66.0	37.0	38.1	36.1
6	22.2	26.6	34.6	29.4	28.8	33.0	33.2
7	19.1	29.2	47.1	36.8	30.1	29.3	30.9
8	20.7	28.1	37.1	27.0	22.4	22.9	27.9
9	14.0	21.8	23.6	20.5	31.9	53.5	42.2
10	12.6	15.5	28.3	25.3	24.6	25.1	30.7
11	13.6	13.0	18.5	20.6	24.1	24.2	32.3
12	7.7	13.9	16.7	17.6	23.7	32.1	28.8
13	8.9	11.5	17.4	19.6	21.1	19.5	23.5
14	9.7	9.7	19.9	20.1	16.8	24.9	23.7
15	13.8	9.0	24.9	26.9	25.4	26.0	23.7
Alberta	19.0	30.9	38.3	34.1	32.2	35.9	35.1

political variables, all of which are considered interrelated and endogenous to the system.

1. Economic Considerations

(a) Farm Size and Numbers

The number and size of farm units are two structural variables whose change has affected the tenure institution. The rapid settlement policies for the West were based on economic and political motives which emphasized land ownership more than the agricultural potential of the land. As the agrarian economy became more integrated and capital-intensive, larger farms were required to achieve economic goals. In the absence of an abundance of 'new' agricultural lands, those farmers who were less secure on their small land bases either exited farming to allow for the expansion of others or sought rental lands to increase their productive capacity.

Table 4.5 and the accompanying Figures 4.7, 4.8 and 4.9 depict the historical relationship between the decline in farm numbers and tenure classes. The actual numbers of farms, owners, part-owners and tenants are indexed (1921=100) to highlight the relationships. The year 1931, the beginning of the depression, appears to be a turning point for trends in farm numbers and the number of owner-operators. After 1931, these two variables follow very similar paths of decline. The onset of World War Two in

Table 4.5

TENURE AND NUMBER OF FARMS, ALBERTA, 1921-1981
Indexed to 1921*

DATE	# FARMS	# OWNERS	# OWNER-TENANTS	# TENANTS
1921	82,954	66,629	8,253	8,072
	(100)	(100)	(100)	(100)
1931	97,408	71,060	14,540	11,808
	(117)	(107)	(176)	(146)
1941	99,732	62,366	19,761	17,032
	(120)	(94)	(239)	(211)
1951	84,315	48,298	21,098	9,735
	(102)	(73)	(256)	(121)
1961	73,212	43,295	22,724	6,723
	(88)	(65)	(275)	(83)
1971	62,702	39,724	20,395	3,086
	(76)	(60)	(247)	(38)
1981	58,056	33,850	20,531	3,675
	(70)	(51)	(249)	(46)

Source: Extrapolated from Statistics Canada Census Data

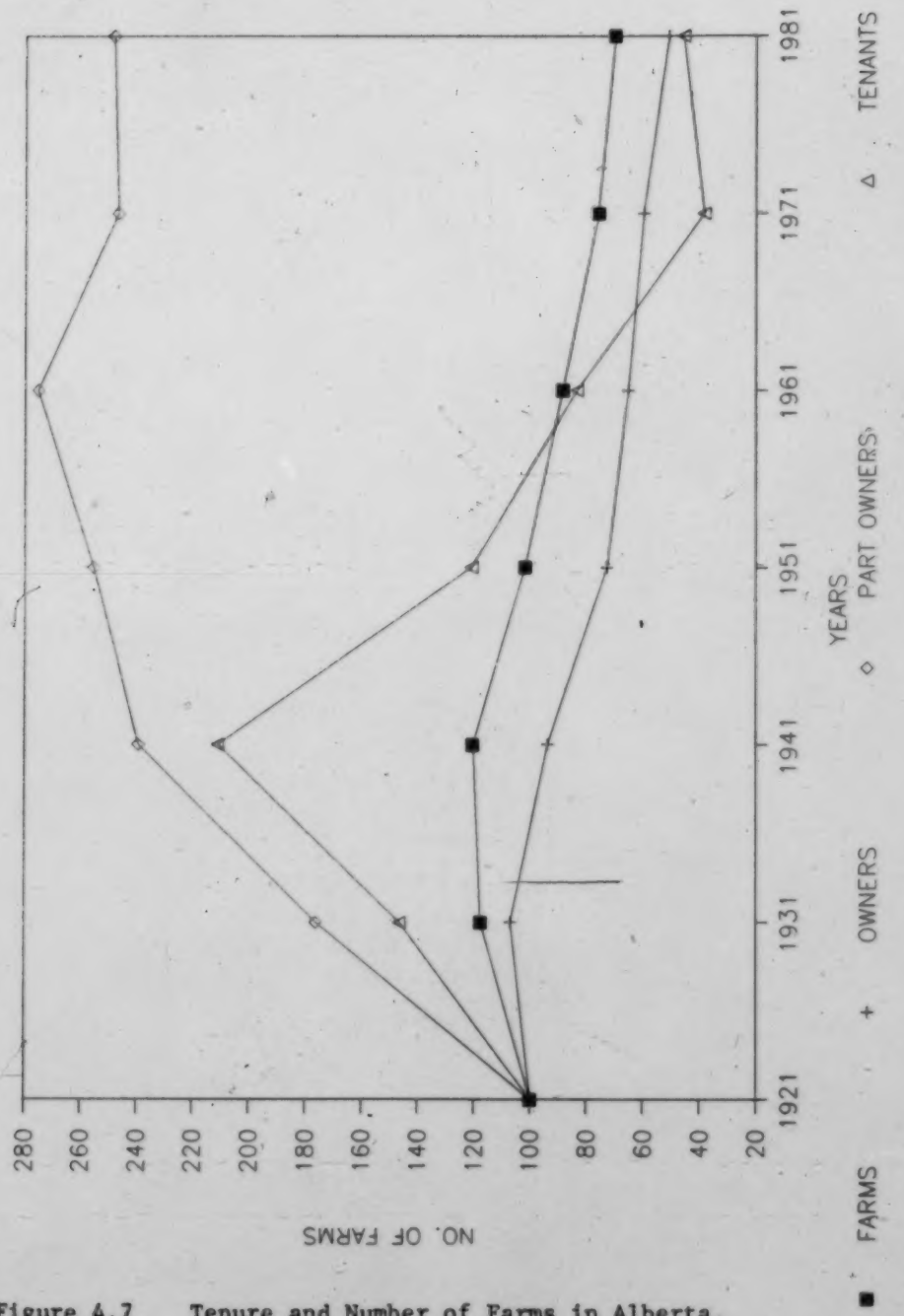

Figure 4.7 Tenure and Number of Farms in Alberta, 1921 to 1981, indexed to 1921

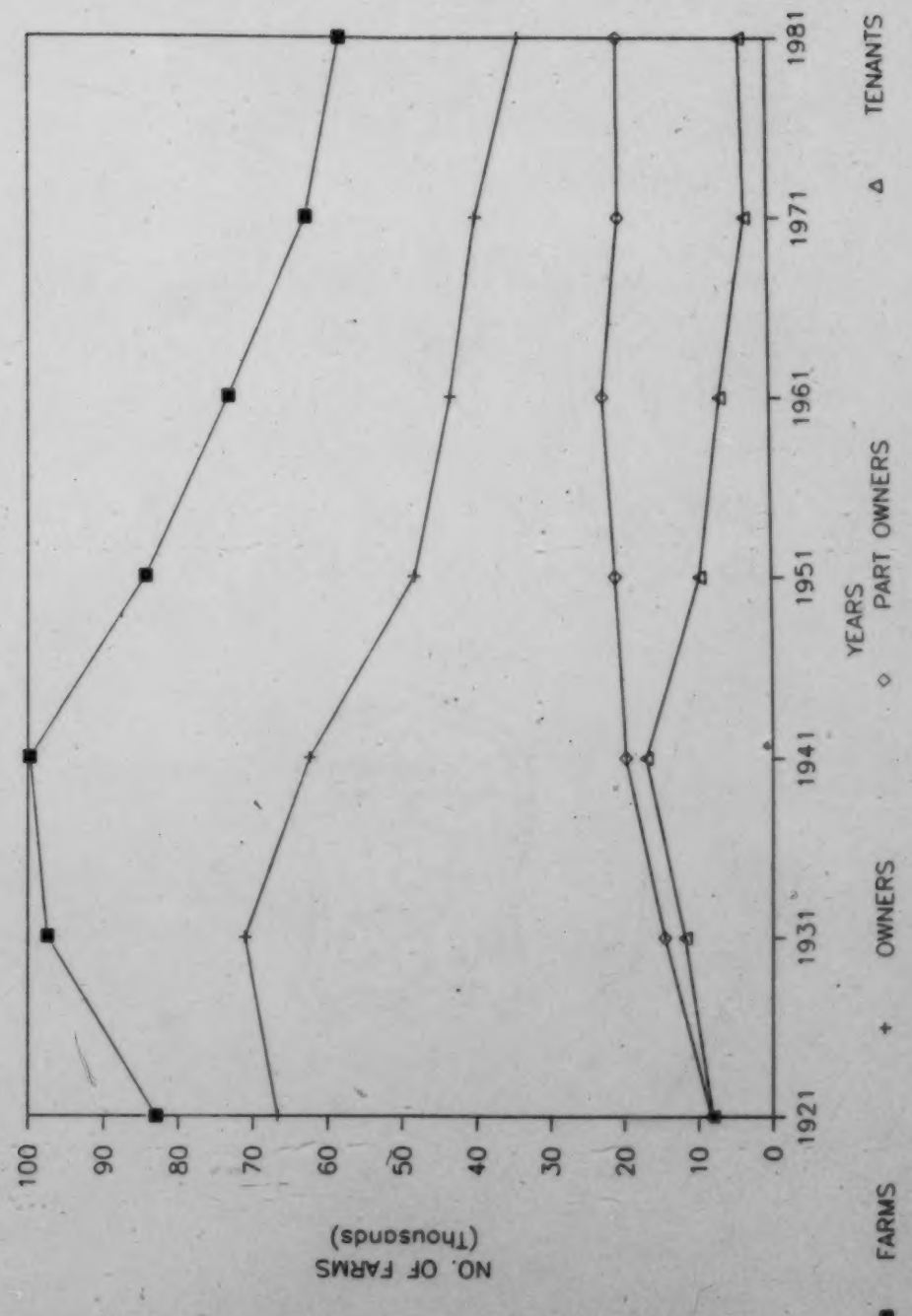

Figure 4.8 : Tenure and Number of Farms in Alberta, 1921 to 1981

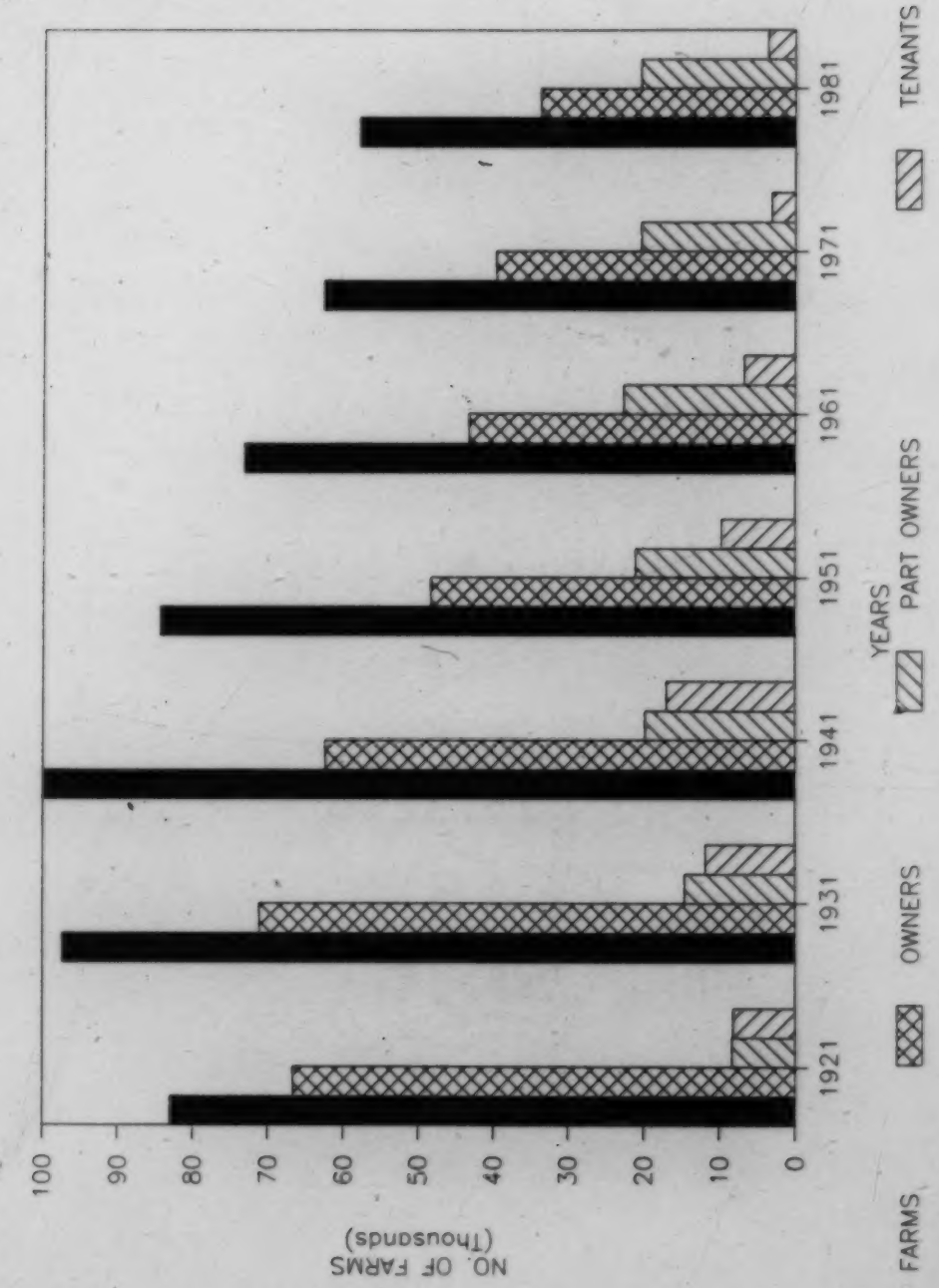

Figure 4.9 Tenure and Number of Farms in Alberta, 1921 to 1981

1939 triggered a sharp decrease in the number of full tenants and less steep, but still significant climb in the number of mixed tenures until 1961.

The correlation between increases in average farm size and changes in land tenure is illustrated in Figures 4.10 and 4.11. Again physical quantities are indexed to 1921. The trend to larger farms appears to be a lagged response to the rise in the number of part-owners. This suggests that more farmers, in recognition of the need to expand their operations, opted to rent more of their land base, resulting in marked increases in average farm size.

(b) The Land Market

The market for agricultural land has undeniably influenced land tenure. The degree to which it has done this is almost impossible to measure. However, the source of the influence has come via a host of means. These include the availability of new land for agriculture, the demand for more land for farm expansion, the availability of lease lands, farm incomes, interest rates, the availability of investment capital, and the purchase of land by non-farm sources. All of these factors are interrelated and have affected tenure to varying degrees since the beginning of the century. Another relevant factor has been land prices, although highly inflated land prices alone have not necessarily deterred farmers from purchasing, nor have they always given an automatic boost

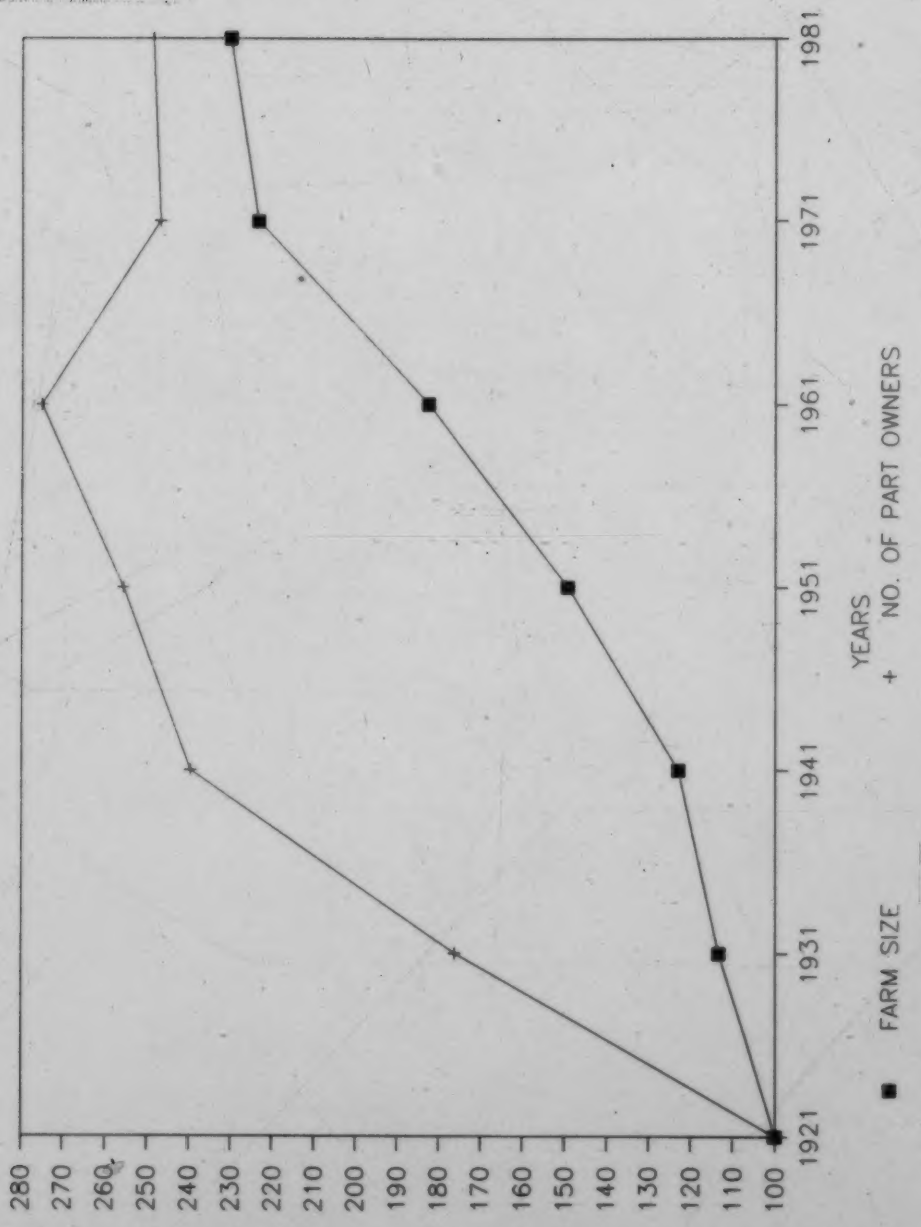

Figure 4.10 Mixed Tenure and Average Farm Size for Alberta, 1921 to 1981, Indexed to 1921

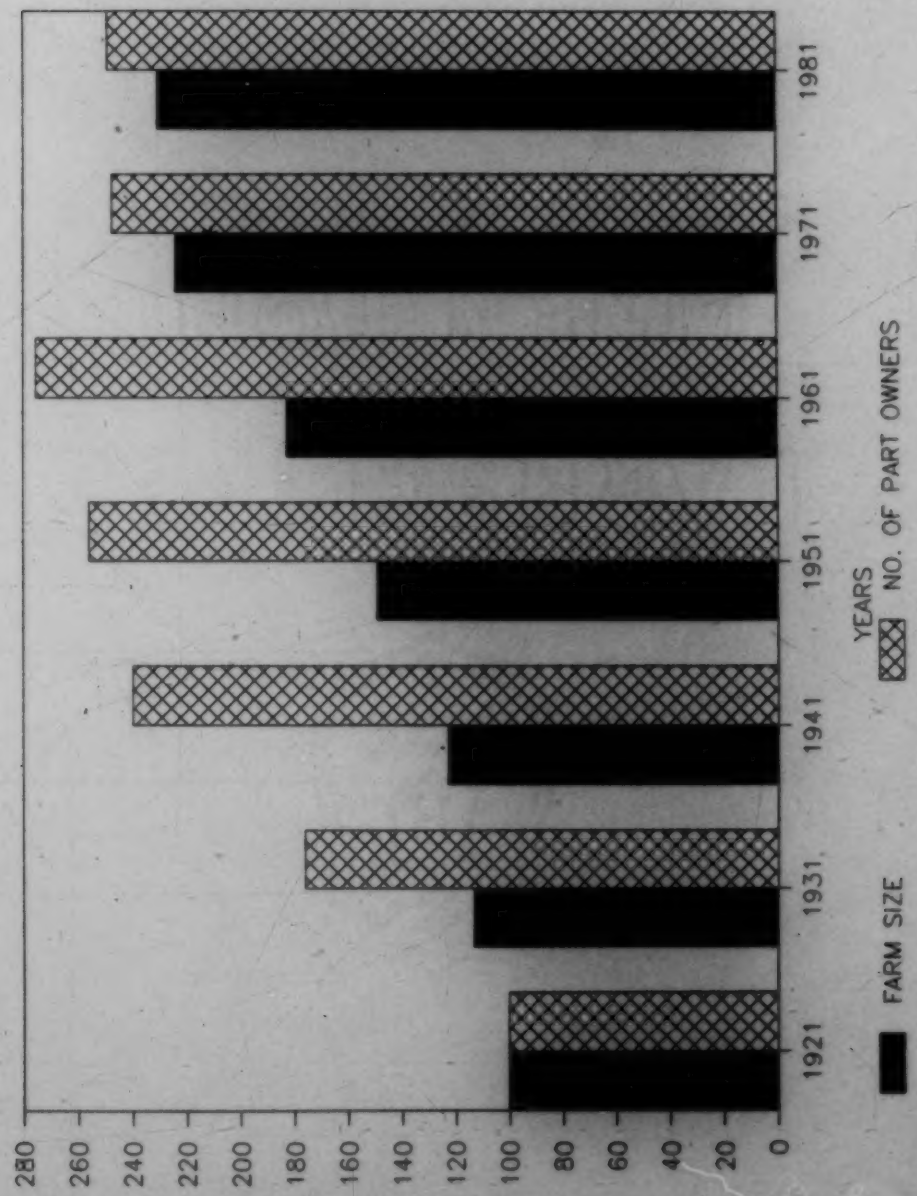

Figure 4.11 Mixed Tenure and Average Farm Size for Alberta, 1921 to 1981, Indexed to 1921

to the incidence of land rental.

Figure 4.12 charts the paths of land prices and the number of part-owners in Alberta. Both variables show comparable increases until 1961, when land prices headed for the skies. The response of farm operators appears to have been a levelling off of farmland rental but a continued purchasing of lands as farm size data would indicate. The prosperity of the 1960s, relatively easy access to credit, technological advances, and the speculative value of land as a hedge against inflation offer partial explanations for this phenomenon.

Activity in the land market during the sixties and early seventies had some important consequences for land tenure during the late seventies and early eighties. Firstly, the purchase of farm land by farmers was curtailed sharply by over-inflated land prices combined with an end to the era of prosperity in the farm sector. Thus, further expansion meant the use of alternative means such as renting.

Secondly, the number of absentee landlords had increased greatly. Even when land values were out of the reach of many farmers, outside investors still remained somewhat active in the land market. This situation may have been a turning point in the restructuring of Alberta's tenure system in the direction of leasing land as a viable alternative to ownership. On one hand, the purchase of farm land by non-farm groups, including urban-

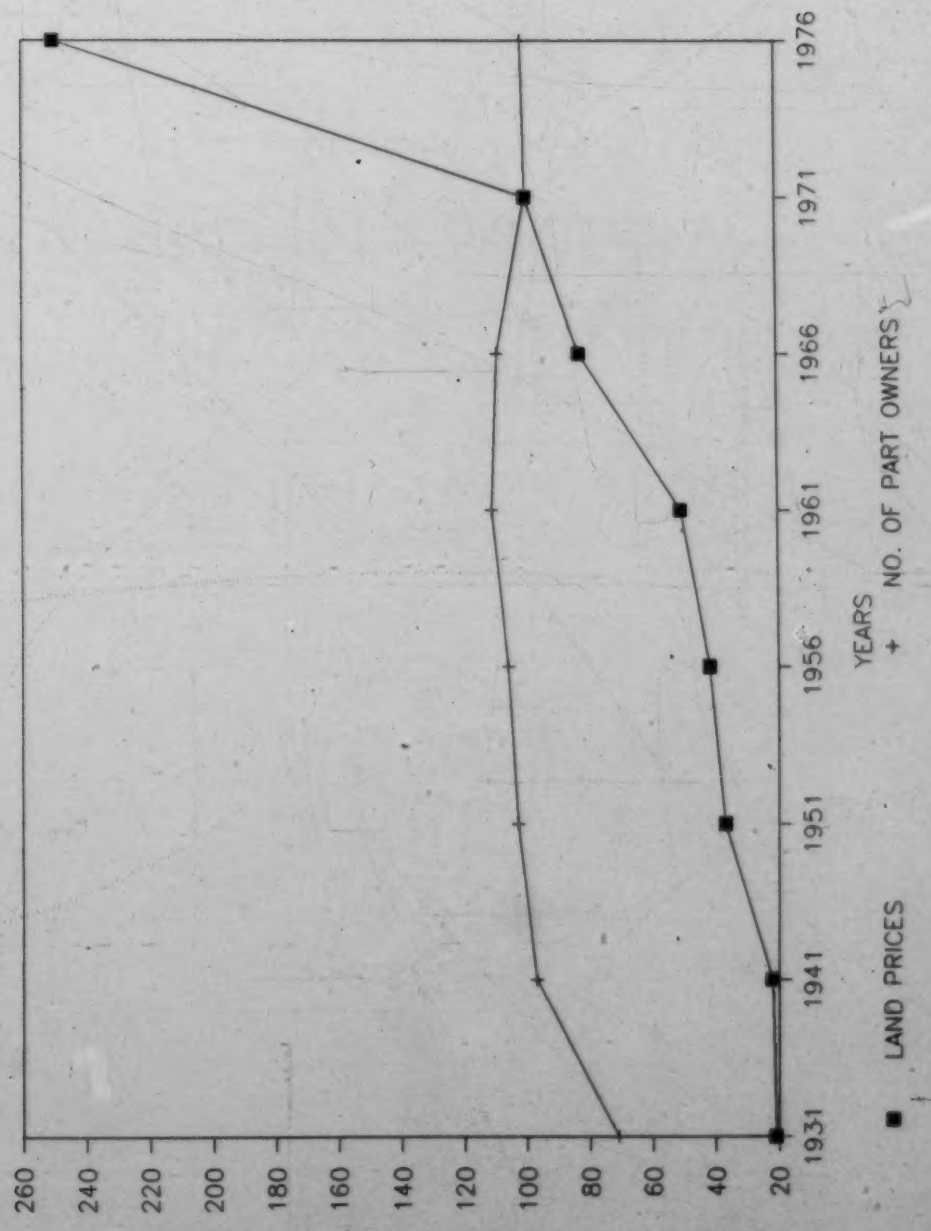

Figure 4.12 Mixed Tenure and Land Prices in Alberta, 1931 to 1976

rural migrators, had the effect of propping up land values. On the other hand, these groups provided both an alternative source of capital for farming and a source of lands for rental purposes in times of severe financial constraints for farmers. Petersen (1983) points out that over one-third of Alberta's farm land, or some 17 million acres, is involved. This represents close to $7 billion more of equity that non-farming individuals have now invested in Alberta's farming sector via land purchase.[1]

2. **Social Considerations**

Many social variables associated with the transformation of Alberta's tenure institution have their basis in the philosophies and ideologies unique to rural society. Others have their roots in the environment which was created by Western land settlement policies. Ironically, much of the rural sociological resistance to a movement away from 'pure' owner-operatorship had the opposite effect of abetting the emergence of tenancy.

(a) Rural Values

The first social influence on tenure was the pressure to maintain a predominance of owner-operators. Ownership, freedom and entrepreneurship are all a function of the philosophy in the settlement of Alberta which produced the owner-operated family farm as the basic framework of rural society. These mores served as a means to develop agriculture at a minimum cost to the government. In some

instances, land ownership became more important than its agricultural potential.

The pre-World War Two era was typified by small family farms of a relatively non-commercial nature. This time period was conducive to the perpetuation of 'farm fundamentalism', often in protest to the increasing difficulty in making ends meet. The characteristics of this and the following era were expressed by Tyler (1966):[2]

> "When the period [1931-1961] began, the farmer as a social class was characterized by a similar set of beliefs, attitudes and values, and was basically agreed on the ways and means by which these values were to be achieved. However, as the period progressed and drew to a close, another set of beliefs, attitudes and values grew. Another ideology developed among farmers in the Prairie Region. It reflected views which have become identified with the concept of 'economic development'. ...If 'agricultural fundamentalism' constituted a concept of farming as primarily a way of life, and secondarily as a way of earning a living, then its contrast with the concept of 'economic development' was clear. Economic development saw farming as a business, as a way of earning a living, and it was reflected in the development of commercial farming."

The above passage helps to clarify a second social influence on land tenure: the acceptance of agriculture as a commercial enterprise. During the 1940s and 1950s, the increased stress on the maximization of production and profits translated into increased capital requirements for land and technology. At the same time, society struggled to keep alive the traditional ideologies associated with land tenure. As we are still discovering today, this is

an almost impossible task.

3. Policy Considerations

In many instances, government and other policy has been the vehicle for tenurial change. Most noteworthy is the Federal Government Homestead Act and its attendent policies. The implications of this for tenure have been covered earlier in this chapter. Also important have been farm taxation laws, land use policies, credit and lending policies, and legislation affecting the ownership of land.

D. FOOTNOTES

1. Petersen, 1983.

2. Tyler, 1966 (on social variables)

CHAPTER V

THE ALBERTA LAND TENURE STUDY: RESEARCH METHODS AND MATERIALS

A. INTRODUCTION

Beginning in January of 1986, a survey of Alberta farms was conducted for the purpose of obtaining primary data concerning the current characteristics of farm tenure and tenurial arrangements in the province of Alberta. Through the administration of a questionnaire, a descriptive survey method was used for the purposes of this research segment.

This chapter contains two main sections. First is an explanation of the purpose and limitations of the survey. This is followed by a description of the survey methods and materials. A presentation of the survey results is contained in Chapter Six of this study.

B. PURPOSE AND LIMITATIONS OF THE SURVEY

1. Purpose

The justification for this survey arose from the need to obtain information regarding various characteristics of tenurial arrangements among Alberta farm operators. This was deemed necessary in order to assess the efficiency of prevailing land rental contracts, to solicit public

opinion about Alberta's tenure system, and to establish an additional information base upon which to base recommendations for policy initiatives and future research.

2. Limitations

The scope of the survey was limited by available resources and the objectives set for this research. As such, it was not possible to sample the entire population. The survey was also not intended to provide detailed financial data with which to analyze the economic efficiency of different tenure arrangements. Because of the survey methods used, those farm operators classified as 'full tenants' and 'farm managers' were not included in the sample.

C. SURVEY METHODS AND MATERIALS

The nature of the information required for this study could only be obtained from individual farm operators and land holders. Therefore, a self-enumeration type of data collection method was employed through a questionnaire delivered in the mail.

1. Survey Sampling

(a) Sampling Criteria

According to the objectives set out for this research and project limitations, the following set of criteria was established for choosing a sample source.

- The sample should be representative of the major agricultural producing areas of the province.
- The sample should reflect distinguishable agricultural characteristics such as soil zones, irrigated and dry land farming areas, and enterprise types (for example cattle ranching and grain production).
- The sample should coincide with certain geographical boundaries for meaningful statistical analysis. Such boundaries include Census Divisions, Alberta Agricultural Regions and municipal boundaries.
- The sample should not discriminate between land holders and farm operators.
- The sample should not be biased with respect to tenure categories and farm incomes.
- The sample should be representative of agricultural holdings and not recreational or other properties. For this reason, each individual in the sample should hold at least 160 acres.
- The sample should be as random as possible.

(b) Sample Source

In consideration of the above criteria, it was determined that no existing sample sources were suitable for use in this research. Therefore, an original sample of potential respondents was compiled using detailed maps of counties, municipal districts and improvement districts within the province of Alberta. The most current maps,

depicting legal land descriptions, geographical characteristics and names of land holders were obtained for twenty-seven separate municipal areas.

(c) Sampling Technique

In accordance with the prescribed sample criteria, a total of thirteen municipal areas were selected for inclusion in the sample. Figure 5.1 shows the locations of these areas in relation to the rest of the province.

Each sample area was divided into individual townships containing not more than thirty-six sections. Each section, as depicted on the municipal maps, was numbered and divided into quarter sections (160 acres). Each quarter section contained the name of the current owner.

A computer was used to generate a list of 4000 random numbers between 1 and 36. Beginning with the first number on the list, the corresponding section number within a township was included in the sample. Because the maps showed the names of owners for each quarter section, only one name per section was selected for the sample. Other selection criteria included: that each land holding was owned by a differnt individual, that each parcel of land contained at least 160 acres and that only those holdings showing the existence of farm residences were considered. In cases where these criteria could not be met, the next consecutive random number was used to choose an

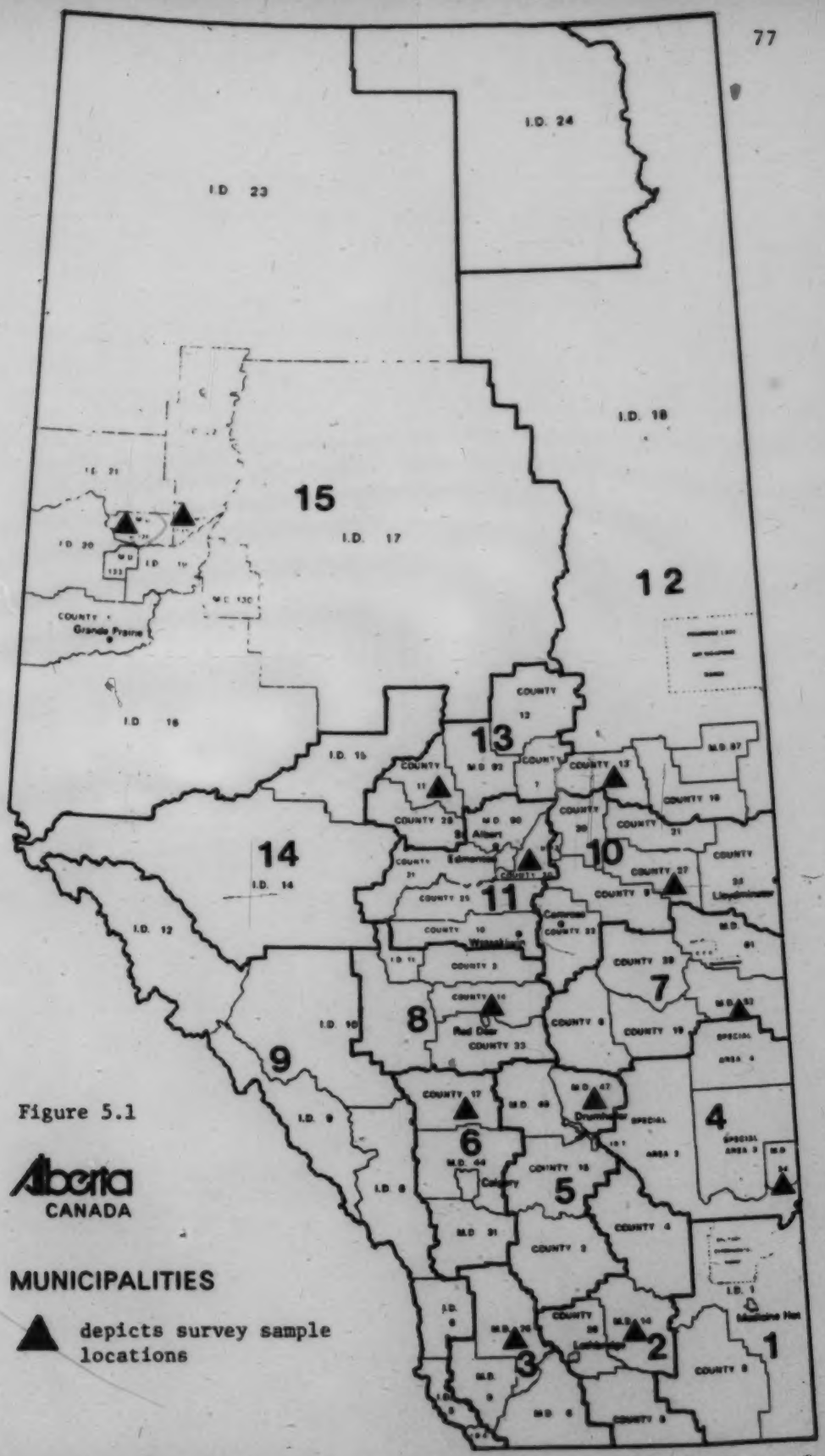

Figure 5.1

Alberta
CANADA

MUNICIPALITIES

▲ depicts survey sample locations

alternative section for the sample. This procedure was followed for all of the thirteen areas.

After the list of sample names was compiled, each name was matched with a mailing address. Addresses were obtained from local telephone directories and in two cases, from tax rolls. For cases where no address was available, additional land parcels were selected at random. The number of sample points taken from each area varied according to its size. The total sample taken was 949.

D. SURVEY QUESTIONNAIRE

The questionnaire, as shown in Appendix A, was designed to solicit the maximum amount of information in the least complex manner. For this reason, no effort was made to obtain financial statistics from producers. The questionnaire was also structured for future ease of editing, coding and computor analysis. Because information was required from both land owners and operators under other forms of tenure, the questionnaire comprised a general section for all respondents and two separate sections which corresponded to tenure classifications.

Each questionnaire was accompanied by a covering letter which contained a brief description of the survey topic, an explanation of the purpose of the study, and an exhortation to answer all questions. An addressed, stamped return envelope was provided in each mail-out. A

copy of the cover letter is included in Appendix A.

The questionnaires were mailed in two bunches. The first was intended to test the questionnaire. It contained 51 mailings which were all located within the same county. A period of three weeks was allowed to receive responses. Because of the favorable response rate and the quality of the responses, no adjustments were made to the questionnaire. The remaining sample was subsequently mailed.

The sample numbers for each survey area and the corresponding response frequencies are shown in Table 5.1. The response rate for all regions was 30.4 percent. This is considered above average for this type of survey.

Table 5.1

TENURE SURVEY SAMPLE AND RESPONSE RATES

REGION Municiple District	Census Distr.	SAMPLE SIZE	UN-OPENED	FREQ-UENCY	% OF REGION	% OF TOTAL RESPONSE
M.D. 14	2	72	2	25	35.7	9.0
M.D. 26	3	86	2	24	28.6	8.6
M.D. 34	4	36	0	13	36.1	4.7
M.D. 47	5	62	1	20	32.8	7.2
Co. 17	6	105	5	32	32.0	11.5
M.D. 52	7	121	0	37	30.6	13.3
Co. 14	8	86	5	27	33.3	9.7
Co. 27	10	95	4	33	36.3	11.9
Co. 20	11	23	8	3	20.0	1.1
Co. 13	12	93	0	24	25.8	8.6
Co. 11	13	83	5	14	17.9	5.0
M.D. 135	15	36	1	10	28.6	3.6
M.D. 136	15	51	1	16	32.0	5.8
ALL REGIONS		949	34	278	30.4	100.0

SOURCE: Tenure Survey in Alberta for this study

CHAPTER VI

RESULTS OF THE 1986 ALBERTA LAND TENURE SURVEY

A. INTRODUCTION

The results of the 1986 Alberta Land Tenure Survey and subsequent analysis are presented in this section. Where possible, the tabulation of data is designed to offer comparisons between full-owners and part-owners for various data categories.

B. ANALYSIS OF SURVEY

1. Tenure Status of Respondents Who Are Currently Farming

The percentage of respondents who were full-owners (do not rent any portion of their land base) was 46.6 percent. Those land holders who were part-owners (rent some portion of their land base) comprised 53.4 percent of the total. Census Canada figures for 1986 were 52.4 percent for full-owners and 40.6 percent for part-owners.

Table 6.1 shows survey response frequencies and percentages for both tenure categories. The ratio of mixed tenure operators was significantly higher in M.D. 52 and M.D.s 135 and 136. This may be partially attributed to a higher concentration of government grazing leases and community pastures in those areas. Conversely, 78.3

TABLE 6.1 TENURE STATUS OF RESPONDENTS WHO ARE CURRENTLY FARMING

REGION		FULL OWNER		PART OWNER	
MUN.	C.D.	Frequency	Percent	Frequency	Percent
M.D. 14	2	13	56.5	10	43.5
M.D. 26	3	10	45.5	12	54.5
M.D. 34	4	5	50.0	5	50.0
M.D. 47	5	9	50.0	9	50.0
CO. 17	6	14	45.2	17	54.8
M.D. 52	7	11	31.4	24	68.6
CO. 14	8	18	78.3	5	21.7
CO. 27	10	13	41.9	18	58.1
CO. 20	11	1	50.0	1	50.0
CO. 13	12	9	42.9	12	57.1
CO. 11	13	8	66.7	4	33.3
M.D. 135, 136	15	5	23.8	16	76.2
ALL REGIONS		116	46.6	133	53.4

percent of respondents in County 14 (north of Red Deer) were full-owners. This corresponds to 1985 census reports of less than 30 percent of land being rented in that region.

2. Farming Status of Respondents Who Are Currently Farming

An important characteristic of mixed tenure operators is their farm status. Survey results shown in Table 6.2 reveal that 94 percent of part-owners farm on a full-time basis. This is 14 percent higher than the average for full-owners. The lowest numbers of full-time operators reporting under the full-owner category occurred in Counties 13 and 11 where slightly more than 50 percent of respondents farmed on a full-time basis. Conversely, 75 to 83 percent of part-owners farmed full-time in those areas.

3. Number of Years Farming for Respondents Who Are Currently Farming

The survey results showed a significant difference between the number of years that full-owner and part-owner respondents had been farming. From Table 6.3, the greatest differences were in the 11-20 year and the more-than-30 year categories. The averages for all regions indicate that 12 percent more of full-owners had been operating for more than 30 years. However, 10 percent more of part-owners had been farming for 11 to 20 years.

TABLE 6.2 FARMING STATUS OF RESPONDENTS WHO ARE CURRENTLY FARMING, BY TENURE, EXPRESSED AS PERCENT OF TOTAL

REGION		FULL OWNER		PART OWNER	
MUN.	C.D.	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME
M.D. 14	2	92.3	7.7	100.0	0
M.D. 26	3	70.0	30.0	100.0	0
M.D. 34	4	100.0	0	80.0	20.0
M.D. 47	5	88.9	11.1	88.9	11.1
CO. 17	6	100.0	0	94.1	5.9
M.D. 52	7	100.0	0	91.7	8.3
CO. 14	8	66.7	33.3	100.0	0
CO. 27	10	84.6	15.4	100.0	0
CO. 20	11	100.0	0	100.0	0
CO. 13	12	55.6	44.4	83.3	16.7
CO. 11	13	50.0	50.0	75.0	25.0
M.D. 135, 136	15	80.0	20.0	100.0	0
ALL REGIONS		80.0	20.0	94.0	6.0

TABLE 6.3 NUMBER OF YEARS FARMING FOR RESPONDENTS WHO ARE CURRENTLY FARMING, BY TENURE, EXPRESSED AS PERCENT OF TOTAL RESPONDENTS

REGION		FULL OWNERS					PART OWNERS.				
MUN.	C.D.	0-5*	6-10	11-20	21-30	30+	0-5	6-10	11-20	21-30	30+
M.D. 14	2	7.7	7.7	23.1	30.8	30.7	0	30.0	10.0	30.0	30.0
M.D. 26	3	0	0	30.0	10.0	60.0	0	8.3	20.0	0	66.7
M.D. 34	4	0	0	0	20.0	80.0	0	20.0	40.0	0	40.0
M.D. 47	5	0	0	0	44.4	55.6	0	0	22.2	33.4	44.4
CO. 17	6	0	7.7	0	15.4	76.9	5.9	0	29.4	29.4	35.3
M.D. 52	7	0	9.1	18.2	18.2	54.5	0	16.7	20.8	29.2	33.3
CO. 14	8	11.1	16.7	16.6	5.6	50.0	0	0	40.0	40.0	20.0
CO. 27	10	0	7.6	23.1	23.1	46.2	11.1	0	16.7	22.2	50.0
CO. 20	11	0	100.0	0	0	0	0	0	0	0	100.0
CO. 13	12	11.1	11.2	22.2	22.2	33.3	8.3	8.3	25.0	16.7	41.7
CO. 11	13	25.0	0	25.0	25.0	25.0	0	0	75.0	0	25.00
M.D. 135 136	15	0	0	20.0	20.0	60.0	0	12.5	43.8	25.0	18.8
ALL REGIONS		5.2	7.8	16.6	20.0	50.4	3.0	9.0	27.1	22.6	38.3

* YEARS CATEGORY

4. Age of Respondents Who Are Currently Farming

The tenure survey placed the average age of part-owner respondents at 45 years, compared to 53 years for full-owners. Moreover, Table 6.4 shows that an average of 42 percent of part-owners were over 50 years of age while 4.6 percent were under 30 years. This compares with 57.6 percent and 0.8 percent respectively for full-owners. It is possible that even greater differences in age between tenure categories may have been evident had more operators younger than 30 years of age responded.

5. Tenure and Farm Size for Respondents Who Are Currently Farming

The survey indicates a marked difference in average farm sizes between tenure categories. The average size for full-owner respondents was 953 acres, as compared to 1959 acres for part-owners. In Table 6.5, average figures for all regions show that almost 50 percent of part-owners operated farms containing more than 1600 acres. This corresponds to only 14 percent for full-owners. In addition, 38.3 percent of full-owners farmed less than 480 acres, compared with only 9.1 percent of part-owners.

Historically, census statistics indicate a distinct correlation between the increase in average farm size and the increase in the number of part-owners. The 1981 census reveals that average farm sizes were 1317 acres for part-owners and 476 acres for full-owners. One reason for larger sizes reported in this survey is that only farms

TABLE 6.4 AGE OF RESPONDENTS WHO ARE CURRENTLY FARMING, BY TENURE, EXPRESSED AS PERCENT OF TOTAL RESPONDENTS

REGION		FULL OWNERS						PART OWNERS					
MUN.	C.D.	0-25*	26-30	31-40	41-50	51-65	65+	0-25	26-30	31-40	41-50	51-65	65+
M.D. 14	2	0	0	38.5	23.1	23.1	15.3	0	0	40.0	40.0	20.0	0
M.D. 26	3	0	0	30.0	0	30.0	40.0	0	0	8.3	25.0	41.7	25.0
M.D. 34	4	0	0	0	20.0	80.0	0	0	0	40.0	20.0	40.0	0
M.D. 47	5	0	0	0	11.1	77.8	11.1	0	0	22.2	33.4	44.4	0
CO. 17	6	0	0	8.3	0	50.0	41.7	0	5.9	41.2	17.6	35.3	0
M.D. 52	7	0	10.0	20.0	30.0	20.0	20.0	0	4.2	37.5	12.5	37.5	8.3
CO. 14	8	0	0	22.2	22.2	38.9	16.7	0	0	20.0	60.0	0	20.0
CO. 27	10	0	0	15.4	30.7	38.5	15.4	5.6	0	27.6	5.6	55.6	5.6
CO. 20	11	0	0	100.0	0	0	0	0	0	0	0	100.0	0
CO. 13	12	0	0	0	44.4	22.2	33.4	0	8.3	25.0	8.3	58.4	0
CO. 11	13	0	0	37.5	37.5	25.0	0	0	0	25.0	75.0	0	0
M.D. 135 136	15	0	0	0	60.0	20.0	20.0	0	12.5	31.2	37.5	18.8	0
ALL REGIONS		0	.8	18.6	23.0	37.2	20.4	.8	3.8	30.1	23.3	36.7	5.3

* AGE CATEGORY IN YEARS

TABLE 6.5

TENURE AND FARM SIZE FOR RESPONDENTS WHO ARE CURRENTLY FARMING, EXPRESSED AS PERCENT OF TOTAL RESPONDENTS

REGION		FULL OWNERS				PART OWNERS			
MUN.	C.D.	0-480*	481-960	961-1600	1601+	0-480	481-960	961-1600	1601+
M.D. 114	2	38.4	23.1	7.7	30.8	20.0	20.0	40.0	20.0
M.D. 26	3	40.0	10.0	10.0	40.0	0	9.1	54.6	36.3
M.D. 34	4	20.0	0	20.0	60.0	20.0	20.0	20.0	40.0
M.D. 47	5	11.1	22.2	55.6	11.1	11.1	11.1	22.2	55.6
CO. 17	6	38.4	46.2	7.7	7.7	5.9	17.7	35.2	41.2
M.D. 52	7	18.2	36.4	18.2	27.2	4.2	8.3	12.5	75.0
CO. 14	8	50.1	33.2	16.7	0	20.0	60.0	0	20.0
CO. 27	10	30.7	46.2	23.1	0	5.5	11.1	33.4	50.0
CO. 20	11	100.0	0	0	0	0	100.0	0	0
CO. 13	12	44.4	44.4	11.2	0	8.5	33.3	41.6	16.6
CO. 11	13	75.0	25.0	0	0	50.0	0	25.0	25.0
M.D. 135, 136	15	40.0	40.0	20.0	0	6.3	6.3	6.3	81.1
ALL REGIONS		38.3	31.3	16.5	13.9	9.1	15.8	26.6	48.5

*SIZE CATEGORY IN ACRES

containing 160 acres of more were included.

C. CHARACTERISTICS OF LAND RENTAL IN ALBERTA

Respondents to the survey have provided detailed information regarding the nature of farm land leasing in Alberta. Results shows generally wide variations between regions but indicate distinct correlations between variables associated with renting land.

1. **Number of Rental Sources**

Table 6.6 shows the percent of respondents who leased land from one or more sources. On the average for all regions, 34.4 percent of operators leased land from more than one source concurrently. Slightly more than 65 percent rented from one source only. Figures for this category varied from 40 percent to 100 percent.

2. **Type of Lease**

Lease types included in the questionnaire were various crop share arrangements, cash rents and other. 'Other' arrangements were mostly forms of contract farming. An over-all average of 44.2 percent of respondents operated under crop share arrangements and 51.9 percent had cash leases. Responses for all regions are contained in Table 6.7. Survey results also indicated that 69 percent of respondents were satisfied with their lease arrangements.

TABLE 6.6 NUMBER OF RENTAL SOURCES FOR FARMERS WHO RENT LAND, EXPRESSED AS PERCENT OF TOTAL RESPONDENTS

REGION		NUMBER OF RENTAL SOURCES		
MUN.	C.D.	1	2	3
M.D. 14	2	80.0*	20.0	0
M.D. 26	3	75.0	16.7	8.3
M.D. 34	4	40.0	60.0	0
M.D. 47	5	66.7	33.3	0
CO. 17	6	47.1	47.1	5.8
M.D. 52	7	65.2	26.1	8.7
CO. 14	8	80.0	20.0	0
CO. 27	10	61.1	38.9	0
CO. 20	11	100.00	0	0
CO. 13	12	58.3	41.7	0
CO. 11	13	100	0	0
M.D. 135, 136	15	73.3	26.7	0
All Regions		65.6	31.3	3.1

* percent of respondents with one rental source

TABLE 6.7 TYPE OF LEASE FOR OPERATORS WHO RENT LAND, EXPRESSED AS PERCENT OF RESPONDENTS

REGION		CROP SHARE	CASH	OTHER
MUN.	C.D.			
M.D. 14	2	60.4	40.0	0
M.D. 26	3	50.0	42.9	7.9
M.D. 34	4	50.0	50.0	0
M.D. 47	5	72.7	18.2	9.1
CO. 17	6	50.0	45.8	4.2
M.D. 52	7	37.0	55.6	7.4
CO. 14	8	20.0	80.0	0
CO. 27	10	35.0	65.0	0
CO. 20	11	0	100.0	0
CO. 13	12	50.0	50.0	0
CO. 11	13	50.0	50.0	0
M.D. 135, 136	15	27.8	66.7	5.6
ALL REGIONS		44.2	51.9	3.9

3. Rental Sources

Table 6.8 shows the percent of respondents who rent from various landlords. Slightly more than 77 percent rented from private sources and the balance rented from government. Of the private sources, 29 percent leased from relatives and 36 percent leased from neighbours.

4. Description of Lease Arrangements

Survey results indicate that the nature of rental contracts varied significantly with different landlords. Table 6.9 shows the correlations between rental sources and other lease characteristics.

Approximately 70 percent of contracts with relatives and neighbours were cropshare arrangements. This contrasts with less than 20 percent for government and other private sources. Overall, just over 40 percent of leases were on a cropshare basis. Of these, only 23 percent provided for expense-sharing by landlords.

With regard to lease terms, those negotiated with relatives and neighbours are close to one half the average length in years as other private sources. Government leases are nearly four times as long as the majority of private ones. In addition, almost 40 percent of lease contracts with relatives and neighbours are verbal, compared with only 15-17 percent for other private sources and government.

TABLE 6.8 RENTAL SOURCES FOR OPERATORS WHO RENT LAND, EXPRESSED AS PERCENT OF RESPONDENTS

REGION		RELATIVE			NEIGHBOUR	GOVERNMENT				OTHER			
MUN.	C.D.	Parents	Other	Total		C.Pas*	GR.LSE.**	Other	Total	Cr. Inst***	Realty	Other	Total
M.D. 14	2	18.8	6.2	25.0	41.7	8.3	16.7	8.3	33.3	0	0	0	0
M.D. 26	3	0	31.3	31.3	25.0	0	37.5	0	37.5	N/A	N/A	N/A	6.2
M.D. 34	4	2.9	34.6	37.5	0	0	50.0	0	50.0	0	0	12.5	12.5
M.D. 47	5	0	33.3	33.3	41.7	0	0	0	0	8.3	8.3	8.3	25.0
CO. 17	6	4.9	47.0	51.9	40.7	0	3.7	0	3.7	0	0	3.7	3.7
M.D. 52	7	0	24.2	24.2	21.2	0	36.4	0	36.4	3.0	15.2	0	18.2
CO. 14	8	0	33.3	33.3	50.0	0	0	16.7	16.7	0	0	0	0
CO. 27	10	0.4	11.6	12.0	44.0	0	12.0	0	12.0	0	9.2	22.8	32.0
CO. 20	11	0	0	0	100.00	0	0	0	0	0	0	0	0
CO. 13	12	2.9	32.4	35.3	47.1	5.9	11.7	0	17.6	0	0	0	0
CO. 11	13	0	0	0	75.0	0	0	0	0	0	25.0	0	25.0
M.D. 135, 136	15	0.8	20.3	21.1	36.8	0	36.8	0	36.8	0	5.3	0	5.3
ALL REGIONS		1.0	27.9	28.9	36.1	1.5	19.8	1.5	22.8	1.2	6.1	4.9	12.2

* Community Pasture ** Grazing lease *** Credit Institution

Table 6.9

DESCRIPTION OF LEASE ARRANGEMENTS FOR MIXED TENURE OPERATORS

	RENTAL SOURCES				
	RELATIVE	NEIGHBOUR	GOVERNMENT	OTHER	ALL SOURCES
	percent				
Total Contracts	28.9[1]	36.1	22.8	12.2	100
Type of Contract					
Cash	24.8[2]	26.7	80.9	85.7	51.9
Crop share	71.4	68.4	19.1	10.3	44.2
Other	3.8	4.9	0	4.0	3.9
Total	100	100	100	100	100
Written Contract	62.0[3]	64.0	82.0	85.0	67.0
Landlord Share Expenses	33.0[4]	32.0	11.0	14.0	23.0
Term of Contract (average years)	2.4[5]	2.1	8.6	4.3	6.2
Average Years Renting from Landlord	12[6]	8	19	12	12

1. 28.9% of operators rent from relatives.
2. 24.8% of contracts with relatives are cash rentals.
3. 62% of contracts with relatives are in written form (rounded to nearest percent).
4. 33% of contracts with relatives provide for landlord sharing production expenses (rounded to nearest percent).
5. Average term of contract with relatives is 2.4 years.
6. Operators have been renting from same relative for an average of 12 years (rounded to nearest percent).

5. **Use of Rental Land**

Survey responses indicated that, whereas an average of 78 percent of the total rented land was used for crop production, over 90 percent of this land was leased from private sources. Correspondingly, virtually all of the land leased from government sources was used for grazing livestock.

6. **Major Concerns of Tenants and Landlords**

While most of the respondents who were associated with the leasing of farm land were in favor of leasing, the majority expressed concerns which created barriers. The most prevalent concerns are outlined below.

Tenant Concerns - Lease Contracts

(a) Lease terms are too short. The consequences are lack of security, difficulty in arranging operating capital financing, the non-feasibility of investing in newer equipment, and a difficulty in making medium-to-long term management plans.

(b) The landlord should pay a portion of fertilizer and chemical costs according to his crop share.

(c) Cash rents should be indexed to product prices and/or costs of production.

(d) The landlord should pay for land improvements.

(e) All or a portion of cash rents should be payable after the crop is sold.

(f) There is a cash flow problem with cropshare leases

under the Wheat Board quota system. All grain cannot be delivered simultaneously and the landlord usually wants his share first.

(g) There are gross inequities between government and private leases.

(h) Most landlords are not open to negotiation on lease terms.

Tenant Concerns - Other

(a) The policies of credit institutions discriminate against farmers who lease a significant portion of their land.

(b) Municipal tax deductions are not applicable to rented land.

Landlord Concerns - Lease Contracts

(a) Landlords are not entitled to purchase crop insurance on their rental lands.

(b) The Wheat Board quota system is a deterrent to crop share leases.

(c) Current legislation affords little protection in cases of default of rental contracts.

(d) Landlords lose farming status for capital gains purposes when they rent their land for cash.

CHAPTER VII

STUDY SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

This chapter consists of an overview of the study objectives and limitations, an interpretation of research results; and a statement of recommendations based on the results of the study.

B. GENERAL DESCRIPTION OF THE STUDY

1. Rationale

Over the past decade, there has been a growing body of literature addressing various aspects of land tenure in developed economies. The majority of this research originated in the United States and Europe in response to a general increase in the incidence of mixed tenure. A preliminary study of census statistics for Alberta revealed a similar, marked increase in the proportion of part-owner operators. It was discovered also that studies specific to tenure in the province have been scarce, lacking in depth and seriously dated.

In Alberta, where agriculture historically has held an important economic, social and political significance, the subject of land tenure is especially important.

C. SUMMARY AND CONCLUSIONS

1. Factors Influencing the Development of Alberta's Tenure System

A major hypothesis of this thesis was that land tenure, as an institution, has a significant basis in certain philosophies, attitudes and ideologies. For Alberta, this implies that the manner in which a farmer holds land is more than a matter of economics. Research clearly shows evidence that various elements of 'agrarian fundamentalism' have influenced the way in which a farmer relates to land, government and credit institution. Such elements also influence the ways in which government, banks and society view the farm operator and his relationship to the land. Survey results support this observation. Even though the majority of respondents rented some land, almost seventy percent preferred to own, despite having cited economic advantages to leasing. 'Pride of ownership' was a major factor.

Fundamentalist attitudes are a culmination of religious beliefs, influences of early philosophers such as the Physiocrats, and the negative effects of early tenure forms like the traditional feudal system in England. Many of the ideals within these belief systems were touted by policy makers who were responsible for the colonization of Western Canada as a motivation for potential settlers.

English Common Law is also a major component of the

tenure system. Of most significance for this thesis is the emphasis on property rights and the concept of 'real property', which formed the legal basis for Canada's Homestead Act.

Canada's free homestead system of land settlement set the stage for the present tenure system. Ironically, this philosophy served well the purpose of rapid agricultural development but it was also responsible, in part, for the recent decline in farm numbers and a move to mixed tenures.

The views of some economists and sociologists have favored the owner-operator form of tenure and have had an influence on the views which our society has held regarding agricultural tenure. The most popular grounds for ownership have been: more efficient use of resources; more incentive to the producer; and political stability.

2. Characteristics and Trends of Tenure in Alberta (1901 to 1986)

(a) Operator Tenure

Census statistics show that the proportion of part-owners rose 33.3 percent from 1901 to 1981. Using tenure survey data from this study, the increase in mixed tenure operators would be 51.3 percent from 1901 to 1986. This change in tenure is significant when one considers that it occurred over a period of 85 years. It took England almost 300 years to move from a tenure of approximately

ninety percent full tenants to about fifty percent today.

Of equal note is that the proportion of the total farmed land which was rented increased from eleven percent in 1901 to 41.8 percent in 1985 (census year).

(b) Factors Contributing to Change

The most obvious influences on tenurial change were:

- o The trend to increase production efficiency, strongest between 1941 and 1960, which was propelled largely by the introduction of new technology and a bureaucratic thrust towards economic rationalization rather than political ideology.
- o There was a shortage of new lands for expansion of farm bases, beginning after World War Two.
- o Increases in land prices were steady from 1941 to 1961, and phenomenal from 1961 to 1976. This was due, in part, to an increase in land ownership by non-farmers and the differential effects of urbanization influencing land prices.
- o The farmer has been drawn increasingly into an integrated market structure requiring larger, capital-intensive farm units. Leasing became an option for expansion.
- o The significant increase in part-owners from 1981 to 1986 is due to a combination of a depressed agricultural economy, shortage of available capital and restricting tax legislation regarding capital gains and farm roll-

overs.

(c) Tenure Status

Survey results show that 53.4 percent of respondents rented part of their land needs. This represents an increase of eighteen percent from 1981 census figures.

(d) Farm Size and Acreage Rented and Owned

The survey shows that mixed tenure operators rented an average of 41 percent of their land. Moreover, they operated approximately seventy percent of the total land farmed for all tenure categories. This is supported by the 1985 census figure that 73 percent of the total land rented in the province is operated by those who farm more than 1280 acres. This group leases an average of 54 percent of their total land requirements.

Survey data show that the average farm size for part-owners was 1959 acres, and 953 acres for full-owners. The 1981 census puts these figures at 1317 acres and 476 acres respectively. It is feasible that the survey numbers are more indicative of most farms because only farms of size 160 acres or more were surveyed.

(e) Land Lease Arrangements

Survey results indicated that 44 percent of respondents rented on a crop share basis and 52 percent paid cash rents. Arrangements were correlated with the type of landlord and the nature of the farm enterprise.

Overall, the survey statistics give strong evidence of inconsistencies and weaknesses in lease arrangements. Of the total crop share leases, only 23 percent involved any expense-sharing by landlords. Virtually all expense-sharing involved the purchase of fertilizer and farm chemicals. In addition, of the total lease contracts, 33 percent were in verbal form. The respondents who leased from relatives and neighbours used written contracts in only 62 percent of the cases. This particular group comprised 65 percent of the total respondents. The third major weakness in prevalent rental arrangements is the length of the lease terms. Although the average term negotiated with government landlords was almost nine years, the average for all private sources was less than three years.

Inadequacies in contractual arrangements were among those factors which affect the farm operators' security of tenure.

3. Factors Affecting Security of Tenure

The relative success of Alberta's mixed tenure operators depends upon their ability to combine the benefits of land ownership and renting. According to survey responses, the major benefits from owning land are long-run financial stability from equity in land and a larger measure of freedom in making management decisions. The most important benefits from renting land are

perceived to be short-run financial stability due to high land prices and cost of borrowing, as well as management flexibility.

Even though the majority of respondents rented some land, almost seventy percent stated that they would prefer to own all of their land. Thus, while recognizing that there are definite advantages in combining both owning and renting, many operators encounter barriers to leasing. Such barriers curtail their ability to achieve a desired level of security in their tenure arrangements.

There are three major categories of problems associated with leasing farm land in Alberta. They are 'attitudes', 'the nature of the land rental market', and 'public policy'. Each category plays a significant role in determining the degree of security of mixed tenure operators.

(a) Attitudes

The prevailing attitudes of farm operators and Alberta society as a whole have their basis in the long-standing notions that every farmer should own his own land, and that owning one's land fosters freedom, promotes democracy and contributes to economic stability. Although these views have been tempered somewhat due to recent economic trends, they still prevent the full realization of the potential benefits from leasing. Many operators rent land not because of its own merits but because it is

a second-best alternative to full ownership. As long a society clings to past ideologies the infrastructure will not exist which provides incentives to producers to operate efficiently and effectively through mixed tenure.

(b) Rental Markets

The structure of the land rental market in Alberta is not well defined. It is not known what determined rental prices, nor is it well understood why rental arrangements differ so dramatically, both within and across regions. Inconsistencies are common in the preferences expressed by landlords and tenants. For example, close to seventy percent of tenants who rent from relatives and neighbours operate under cropshare arrangements, even though the actual preferences of tenants are not the same as those of landlords, and vice versa. The more long-standing participants in the rental market feel that many lease problems are due to a lack of communication and organization, a shortage of useful information, and too little bargaining power on the part of the tenants.

(c) Policies

Public policies affecting farm operators are not oriented to mixed land tenure. Despite the fact that nearly one half of the farmed land in the province is rented by almost the same proportion of operators, there is virtually no legislation specific to leasing. This

applies to protection for landlords and tenants, agricultural lending policies, tax laws and other related areas. These inadequacies reflect the apparent unwillingness of policy makers to accept a system of tenure which has changed and will likely continue to do so. In this regard, Alberta is far behind other provinces such as Saskatchewan and British Columbia, where steps have been taken to promote the well-being of operators who have come to rely on land rental in achieving economic security.

D. RECOMMENDATIONS

The results from this research show conclusively that renting and combinations of renting and owning are very much a part of Alberta's current tenure system. The results also reveal weaknesses in the system which affect security of tenure for farm operators and equitable lease arrangements for landlords and tenants. This section contains some recommendations and suggestions for improving tenure arrangements and relationships in Alberta.

1. More research on tenurial arrangements in Alberta needs to be undertaken. More information is needed as a basis for formulating agricultural policies, for extension education programs, and for assessing the impacts of structural changes on the agriculture community.

2. Agricultural land lease contracts and landlord-tenant relationships need to be improved. More concerns should be addressed in negotiating leases in order to formulate equitable arrangements.

Suggestions for Improving Lease Arrangements

The following suggestions are based on certain problems associated with lease contracts. These problems became apparent during the course of this research. Many of the suggestions were offered by survey respondents.

- o Contracts should include renewal clauses which automatically extend the lease for another year unless either party gives written notice to terminate the lease.
- o Lease contracts should be written and notarized to provide a legal basis for contract.
- o An examination of soil test results and cropping history for rental lands would be useful for both parties.
- o The landlord should contribute a share of certain production costs in crop share lease arrangements.
- o Flexible rents according to fluctuations in product and input prices should be considered.

3. Changes and initiatives in farm policy which address specific tenure issues need to occur. Policy and legislation which enhance security of tenure should be a priority.

Alberta has no farm land holding act at present. As

a result, there is no legislation which is concerned specifically with farm land leasing.

The following are some tenure issues which should be addressed in future policy reviews.

- o Minimum lease terms which are recognized by credit and other institutions.
- o Reimbursement for permanent improvements made by tenants.
- o Provision for the termination of farm leases.
- o Statutes of subletting or assigning leases.
- o Landlord/tenant recourse for breach of contract.
- o Legal obligations for land resource maintenance and preservation.
- o The enhancement of education and extension programs which focus on farm managerial techniques which are geared to mixed tenure operations.
- o The establishment of legal services specific to farmland lease negotiations.
- o Ammendments to current tax legislation which discourages renting on a cash basis by retired or semi-retired farmers.

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APPENDIX A

LAND TENURE QUESTIONNAIRE

LAND TENURE QUESTIONNAIRE

1. Please check one of the following:

   [] I am currently farming.

   [] I am not farming at present but have in the past.

   [] I have never farmed.

PART A - PLEASE ANSWER THE FOLLOWING QUESTIONS ONLY IF YOU ARE CURRENTLY FARMING.

2. I am farming full-time [] part-time []

3. How many years farming? _____years.

4. Your age? _____years.

5. Total size of farm? _____acres.

   Total acres owned _____acres.

   Total acres rented _____acres.

6. Type of enterprise?

   [] Grain only [] Livestock only

   [] Mixed; % grain____, %livestock____, %other___.

   [] Other

7. How many years have you lived in the farming community in which you currently reside? _____years.

PART B - PLEASE ANSWER THE FOLLOWING QUESTIONS ONLY IF YOU RENT PART OF YOUR FARM FROM SOMEONE, OR DO CUSTOM FARMING.

8. From whom do you rent? [] A Relative [] Neighbour

   [] Provincial Government [] Other

   Please specify _____

9. How many years have you been renting from these landlords?

   _____years _____years _____years

10. What type of rental contract/s do you have?

[] Crop share
Please describe_____

[] Cash
Please describe_____

[] Other
Please describe_____

11. What is the term of your rental contract/s?

[] 1 year [] 2 years [] 3 years

[] more than 3 years; please specify _____years

12. Do you have a written rental agreement? [] Yes [] No

13. Does your landlord pay a portion of the production expenses (for example, fertilizer)? [] Yes [] No

Please specify_____

_____

_____

14. Are you satisfied with your rental arrangements?

[] Yes [] No

Do you have suggestions for improvement? _____

_____

_____

_____

15. How do you use the land which you rent?

[] Grazing livestock, _____acres; [] Crops, _____acres

[] Grazing and Crops, _____acres

[] Other, _____acres; please describe_____

_____

16. Do you own your own equipment? [] Yes [] No

[] Part; please specify_____

17. Do you live on the farm? [] Yes [] No

18. Would you prefer to own all of the land which you farm?

[] Yes [] No Why?_____

_____

_____

_____

19. Do you feel that agricultural policies are in support of farmers who rent land? (policies related to banks, government, Wheat Board and income tax, for example)

[] Yes [] No Please comment_____

_____

_____

_____

20. Please comment on any of the above or additional concerns which you may have about leasing land for farming purposes.

_____

_____

_____

PART C - PLEASE ANSWER THE FOLLOWING QUESTIONS ONLY IF YOU OWN LAND WHICH YOU ARE LEASING TO ANOTHER FARMER.

21. How much land do you own? _____acres.

22. How many acres are you renting out to others? _____acres.

23. Are you farming at present?

[] Yes; [] Full-time [] Part-time

[] No; Please explain_____

_____

24. Do you reside on your farm? [] Yes [] No

25. Are you a current holder of a Wheat Board permit book?

[] Yes [] No

26. In your opinion, what is the most favorable type of lease arrangement?

[] Cash [] Crop-Share [] Cash and Crop-Share

[] Other; Please explain_____

_____

_____

_____

27. Under your current rental agreements, do you share in any production or maintenance expenses?

[] Yes [] No Please describe_____

_____

_____

28. In your opinion, do current laws and government policies allow for protection and fair treatment of landlords?

[] Yes [] No Please comment_____

_____

_____

_____

29. Please comment on the above or any additional concerns which you may have regarding leasing land.

_____

_____

_____

_____

_____

THANK YOU VERY MUCH FOR TAKING TIME TO RESPOND TO THESE QUESTIONS. PLEASE BE ASSURED THAT THE INFORMATION WHICH YOU HAVE PROVIDED WILL BE TREATED WITH CONFIDENCE AND RESPECT.

DONALD L. WILDE

November 23, 1985

Dear Sir/Madam,

I am currently a graduate student at the University of Alberta and am in the process of completing my thesis requirements in agricultural economics. Having farmed a number of years myself, I have chosen a research topic which I perceive as being important and useful to the agricultural community in Alberta. Land Tenure is the way in which a farmer holds his land; for example, renting versus owning. In this Province, there has been a significant decrease in the number of farmers who own all of the land which they farm, and an increase in the amount of land being rented. These changes, along with others in the agricultural industry, hold important concerns for both renters and owners.

It is hoped that this study will result in a clearer understanding of the system of land tenure in Alberta. It can also help to discover ways to help make it a fair and secure way of farming for everyone involved. Therefore, I would sincerely appreciate your assistance by filling out the attached short questionnaire.

In order to ensure that all individual concerns are represented, I ask that you please answer all pertinent questions. Your comments and suggestions will be valued and respected. Please understand that all information which you provide, along with its source, will be considered strictly confidential and treated as such.

I thank you in advance for your cooperation and input, and look forward to receiving your completed questionnaire by December 20, 1985. Please use the pre-stamped envelope provided.

Yours sincerely,

Donald Wilde